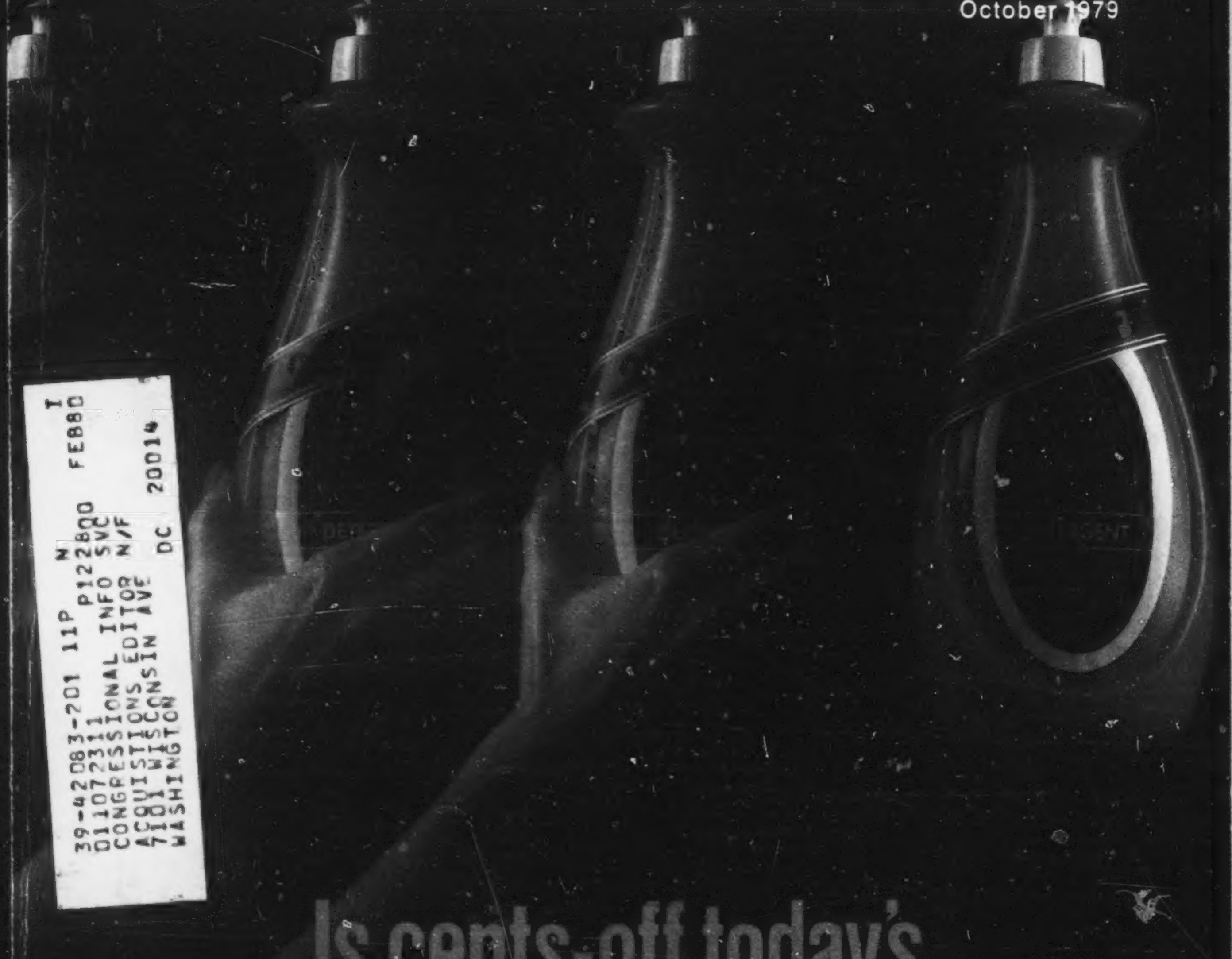
Who's to blame for rising food prices?

Why food stores do better the second time around

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

October 1979



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Is cents-off today's big consumer grabber?

44th annual Nielsen Review of retail grocery trends

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Chain Store Age Supermarkets

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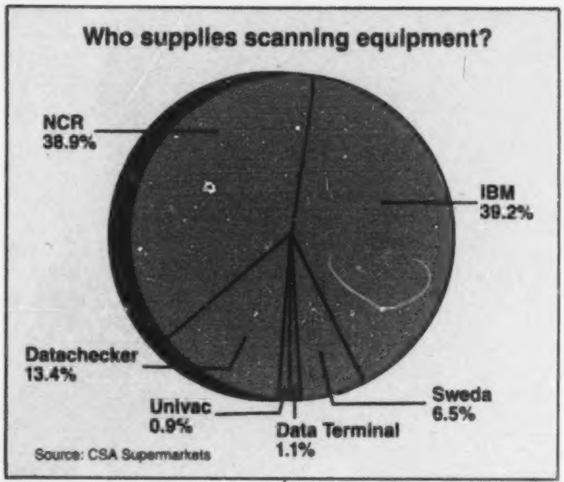


Source: CSA Supermarkets

Scanners pass 1,000 milestone

A net gain of 72 systems—74 installed and two removed—pushed the total number of supermarkets with scanner-assisted checkout to 1,025 as of Aug. 1, 1979.

IBM led all other vendors in installations during July. As a result, IBM has again wrested the leadership in total number of systems from NCR, though only by the narrowest of margins.

Kroger, which continues to install both Datachecker and IBM scanners in its stores, was the most active chain in July, turning the key on seven scanner stores. Also among the most active were Delchamps, Publix, Winn-Dixie and Alpha-Beta.

Southland 'busts' rolling papers

Once a tool of leathery cowboys who rolled their own smokes with one hand, the cigarette paper has passed in recent years into the province of a different kind of smoker—and convenience store giant Southland isn't happy.

The Dallas-based corporation is so unhappy, in fact, that it banned rolling papers Oct. 1 from its 4,056 company-operated 7-Eleven stores and advised franchise holders of another 2,543 7-Elevens to do the same.

"We've stocked cigarette papers for many years, and they remain legal, but the main use for cigarette papers has changed," a company spokesman says. "As a neighborhood store, we don't want to lend credibility to the use of marijuana and illegal drugs."

The spokesman was uncertain what, if any, effect the decision will have on sales figures. In 1978, tobacco products in general accounted for 12.9% of 7-Eleven sales.

Put a lid on it

"Can it," an Albertson's in Boise is telling shoppers—and the shoppers love it.

The brassy, impertinent command is spelled out on a large sign hanging over a produce end surrounded by cases of peaches and two overhead straw baskets filled with home-canning products.

To finish smoothing over any ruffled feathers, the small print on the sign fills out the story with praise-winning produce and canning-supply prices.

Yellow wrap saves green at FedMart

Shoppers at FedMart supers save up to 40% over national brands in the chain's new "Bright Yellow Wrap" generics program—but limited-assortment stores still offer greater price savings in many areas, an informal survey shows.

Then again, there is little direct competition between the 70 giant FedMart stores and the scores of tiny box stores.

The San Diego, Calif.-based chain threw its hat into the generics ring in July, unveiling some 40 food and household products packaged in bright yellow containers with black printing. Officials promise high quality ("For example, the canned vegetables may not be exactly uniform in size and color, but they will be uniformly good and nutritious," says Edward Maron, executive vice president of food and sundries merchandising); they back the promise with an unconditional money-back guarantee printed on every item.

FedMart stores display the "Bright Yellow Wrap" products together in a special section marked off with colorful signs.

Welcome
Bright Yellow Wrap

Comparison shopping

Item	Bright yellow wrap	FedMart brand	Nat'l brand	PLUS	Jewel-T
Tea bags, 100-ct.	$1.39	N.A.	$2.25	$0.99	$1.09
Tomato sauce, 15 oz.	$0.26	0.28	0.17	0.29	0.29
Vegetable oil, 48 oz.	1.39	1.86	2.30	1.39	1.69
Potato chips, 8 oz.	0.65	N.A.	0.95	0.59	0.63
Conc. fabric softener, 64 oz.	0.79	0.97	2.80	0.89	0.79
Liquid dish detergent, 32 oz.	0.49	0.79	1.41	0.43	0.49

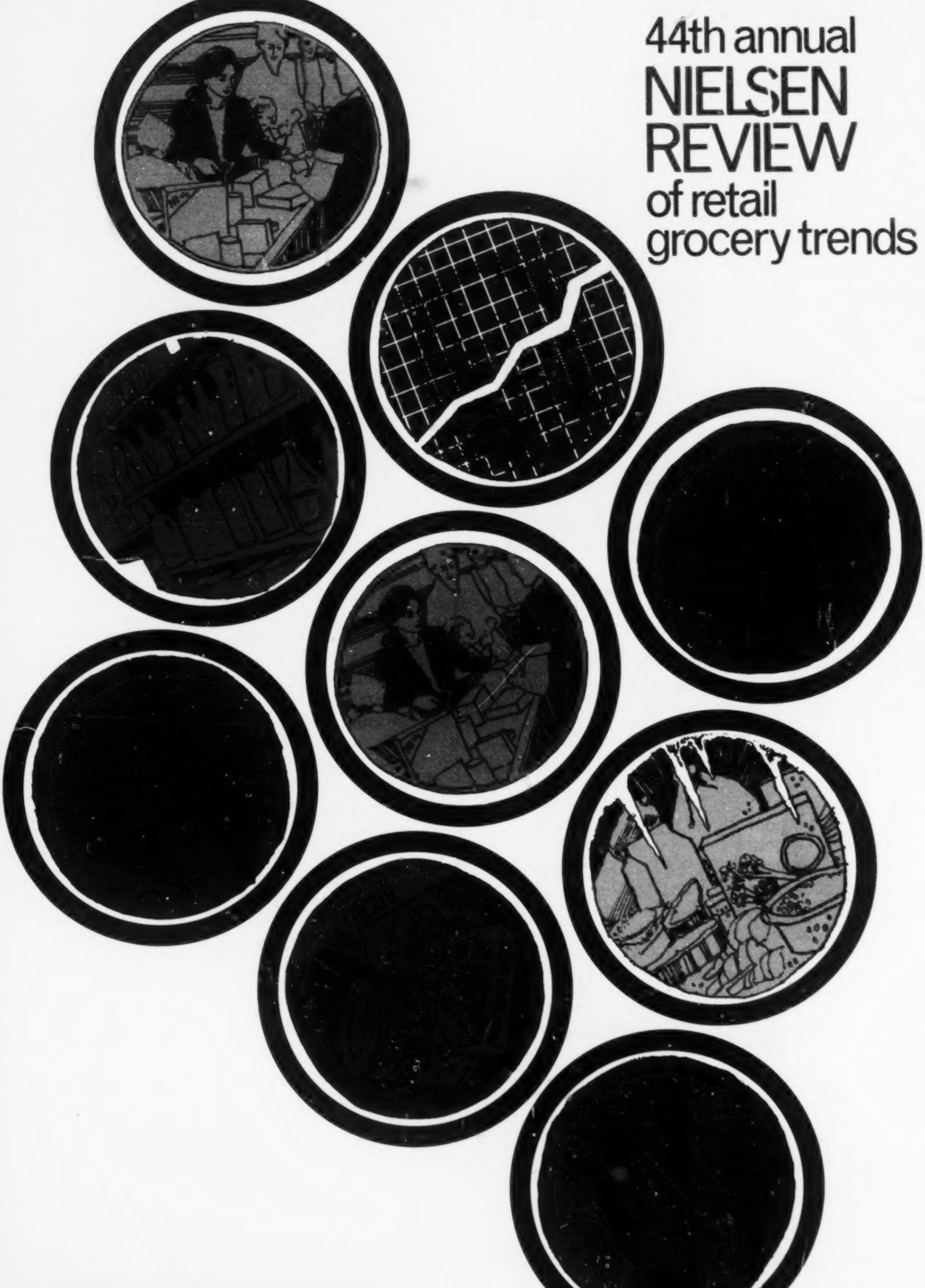
*** Prices were in effect during midsummer. First three prices were in effect at FedMart stores.**

Source: *CSA Research*

44th annual

NIELSEN REVIEW

of retail grocery trends



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To our friends in the retail grocery industry:

Ever since 1936 we have used this publication as a means for saying an additional "thanks" for the continuing cooperation we have received from literally thousands of retail grocery organizations.

Our current issue, the 44th, provides a review of retail grocery trends, some of the economic factors that directly influence grocery sales and new product introductions. Also included are chapters on health and beauty aids, frozen and refrigerated foods, promotions and a special study on product and package performance from the consumers' point of view.

We hope all of our readers will find topics of value and of interest. We also wish to thank *Chain Store Age* for their cooperation in assembling this review.

A. C. Nielsen Jr.

A. C. Nielsen Jr.
Chairman of the Board
A. C. Nielsen Company

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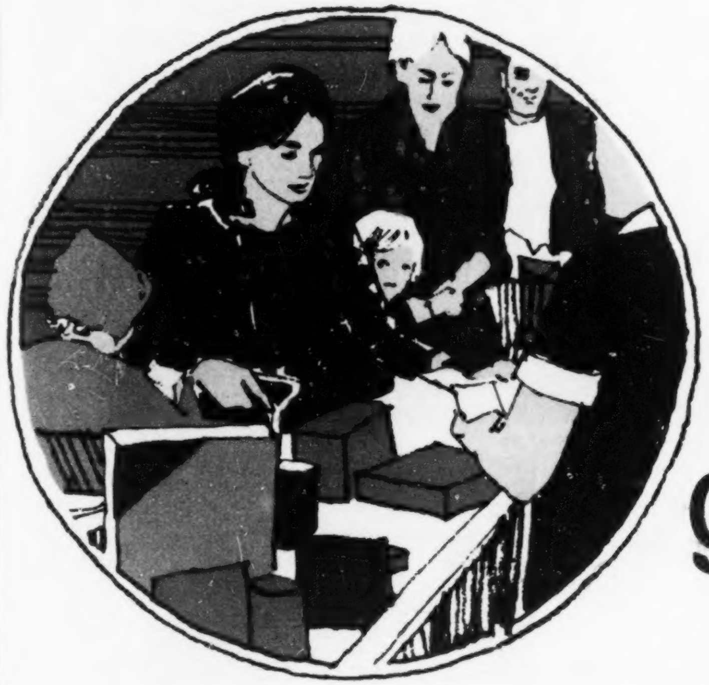
chapter 1



retail grocery trends

Grocery Sales Exceed Forecast

In last year's Nielsen Review, we noted that if current sales increases of +11% were to continue for the entire year, sales of grocery products should top $160 billion "with something to spare." The something to spare turned out to be about four billion dollars as grocery sales for 1978 totaled $163.99 billion (Chart 1). Large independents posted the largest gain, up 12%, and moved up to a share of 23.9%. Chains gained one-tenth of a point to an even 62.0% share with the entire loss coming from the "remaining" group of stores.

(Because of a reclassification of Nielsen sample stores, it was impossible to show trend information for the April-May period for large independents. From now on, the large independent group will include only independents with an annual volume of one million dollars or more.)

A reliable indication of the actual increase

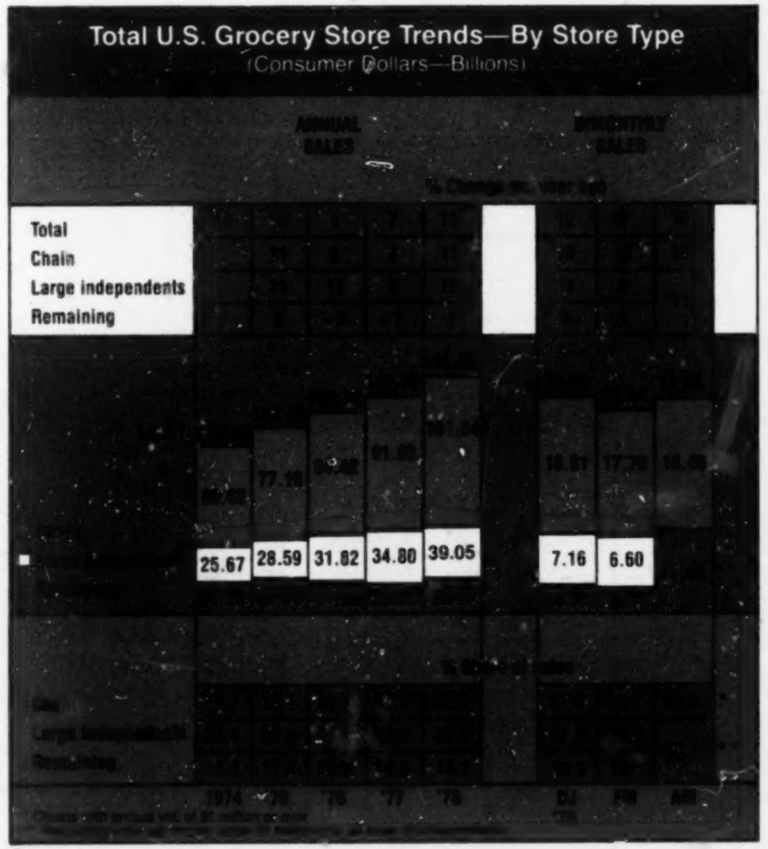


Chart 1

in product movement (versus simply inflated prices) can be gained from Chart 2. This chart provides both dollar and tonnage trends for a representative group of 75 commodities Nielsen has been tracking for many years. When dollar gains were compared against those of tonnage, it became apparent that the actual increase in the volume of products sold during 1978 was much closer to 2% than it was the +11% dollar gain noted in Chart 1.

Regardless of inflation and the economy's well-publicized drift toward a possible recession, the demand by consumers for the lower-priced, controlled or private label products (including generics) has remained essentially flat from 1976 through 1978. The latest April-May figures for 1979 (Chart 3), however, indicated a share increase of just over one and one-half points for these brands—fractionally above the 26.7% share recorded in 1973. This is the first increase of importance for this segment in the past five years and may prove to be more than a "one-time" thing.

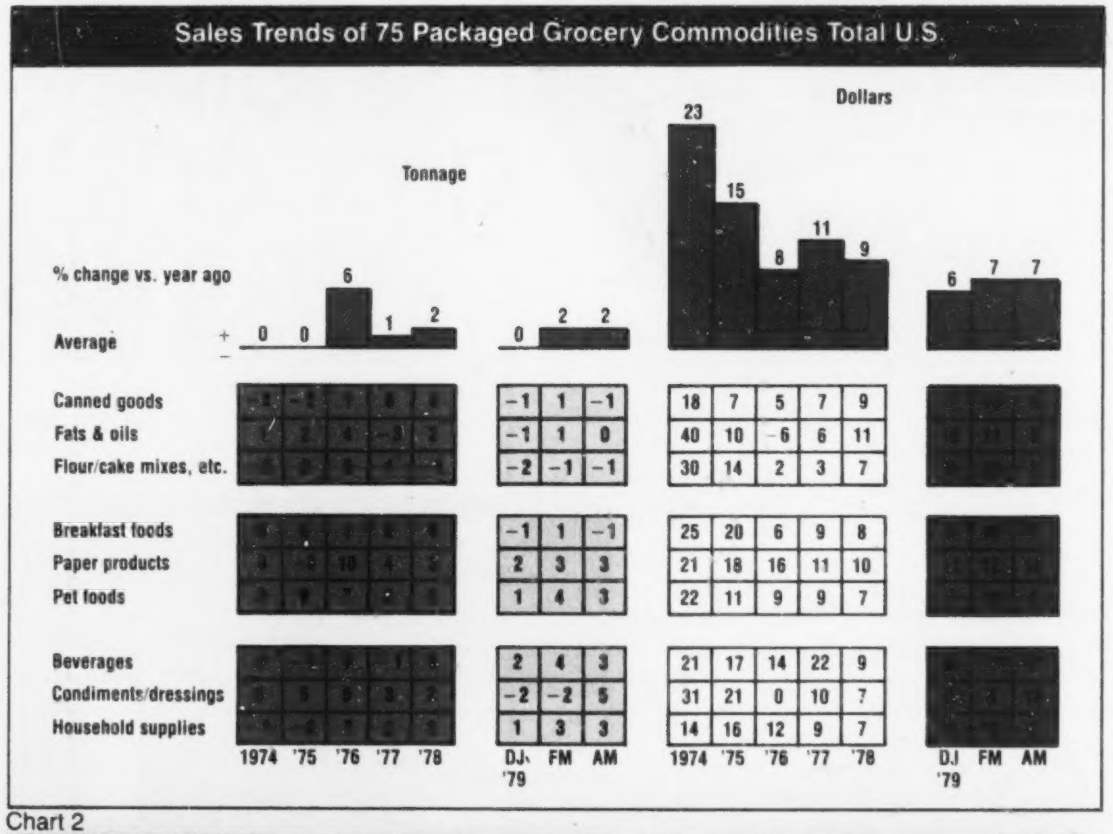
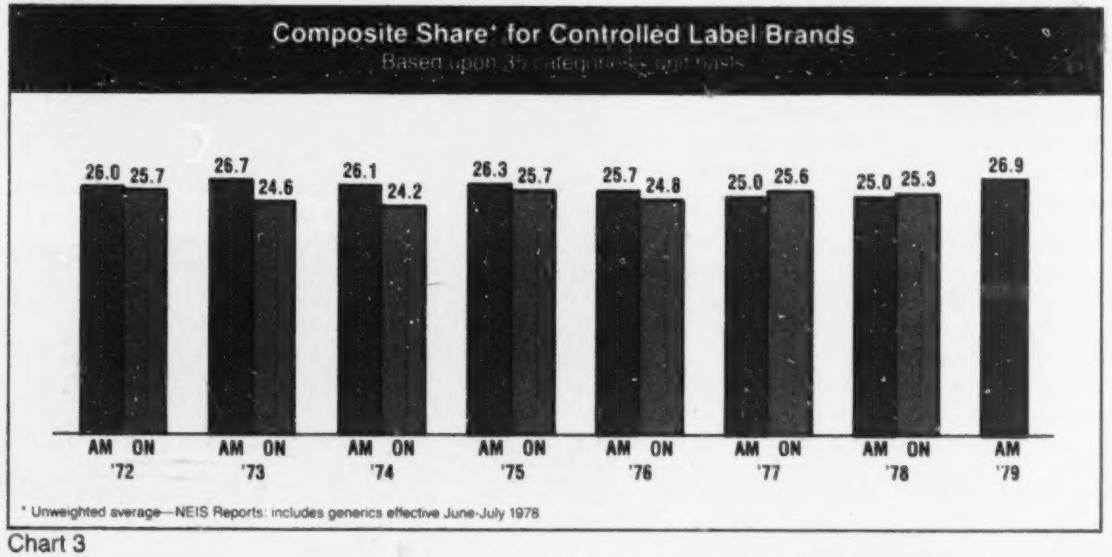


Chart 2



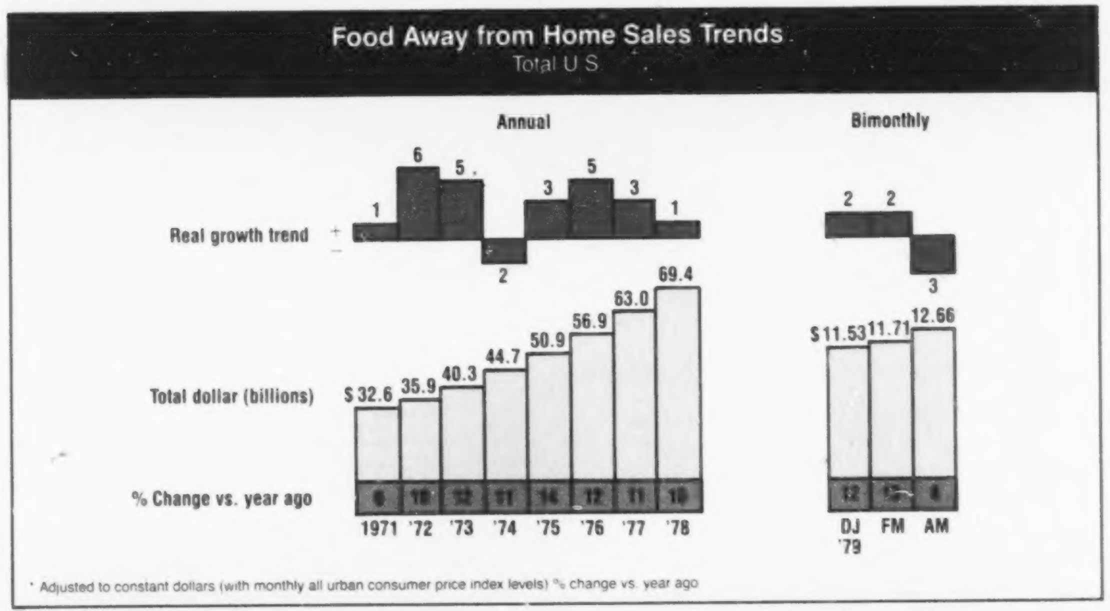
* Unweighted average—NEIS Reports: includes generics effective June-July 1978

Chart 3

Food Away From Home

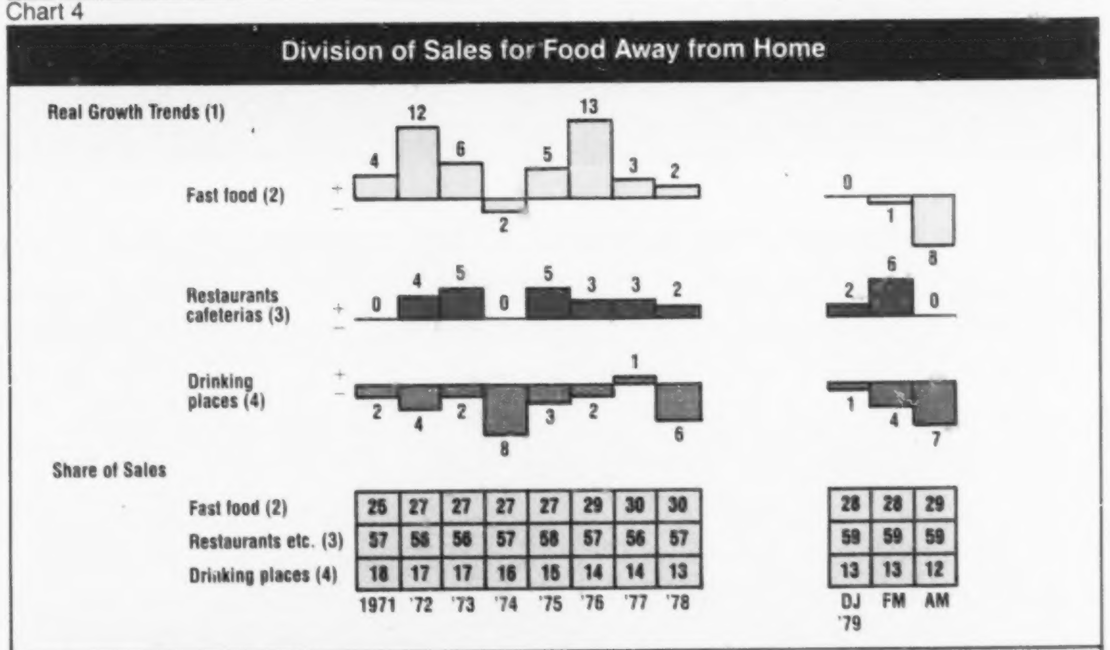
The increase in real growth for food away from home (Chart 4) was up only 1% in 1978, versus the 2% gain in tonnage growth for the 75 commodities group. And sales for the latest period were 3% below a year ago, a substantially weaker showing than for the food-at-home sales based on tonnage.

By restaurant type, the fast food restaurants and cafeterias both recorded 2% increases in 1978, but the "drinking places" were down 6% (Chart 5). Drinking places have continued to exhibit a weak trend during the first half of 1979, but not much weaker than fast food. In fact, sales in fast food restaurants during the April-May period were 8% below a year ago.



* Adjusted to constant dollars (with monthly all urban consumer price index levels) % change vs. year ago

Chart 4



1 Year ago % change of constant dollars (deflated by monthly all urban CPI levels for food-away-from-home)
2 Includes hamburger, pizza, BBQ chicken, frozen custard, etc. Outlets for primarily off-premise consumption & social caterers
3 May sell liquor but not exceeding food sales
4 Over 50% of business in on-premise alcoholic beverages

Chart 5

chapter 2

economic factors

Food Away From Home Tops Medical Care

Food away from home was awarded the dubious honor of first place in the June 1979 Consumer Price Index (Chart 6). That honor, along with the gas shortage in June, probably helps explain the dip in sales for the fast food restaurants on the previous chart. Medical care, the longtime leader, slipped into second place, with food at home only four points behind.

The largest gainer from a year ago, however, was transportation, up 27 points. Apparel and upkeep posted the smallest gain, but prescriptions were still the best buy based on the C.P.I. Index.

GNP moved past the two trillion dollar mark in 1978 for the first time in history, advancing 11.7% versus the previous year. This represented an increase of $221 billion. Unfortunately, a major portion of the in-

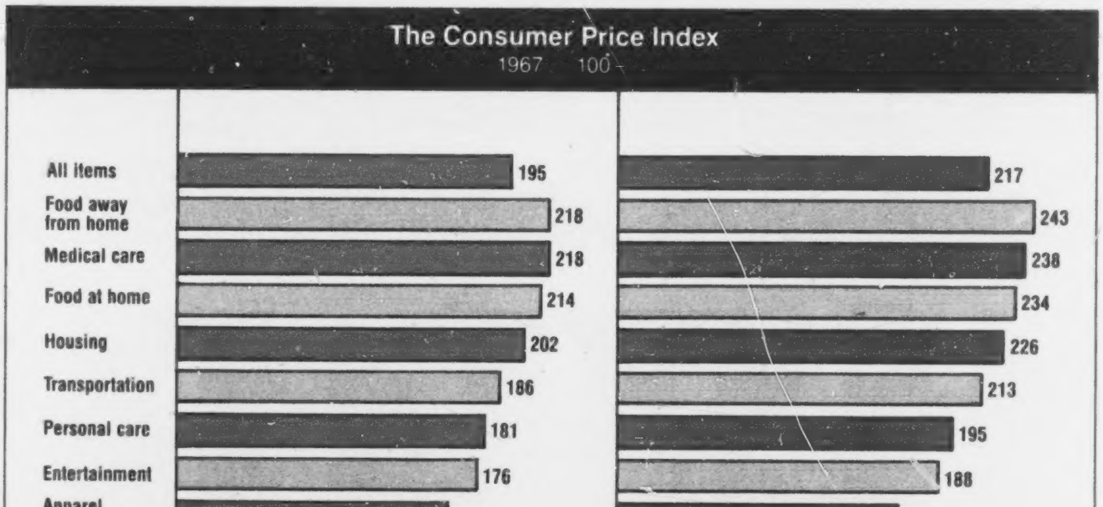


Chart 6

crease was due merely to higher prices.

Although the percentage gain in disposable income of 3.8% was not on the surface nearly so impressive, since it was computed in 1967 dollars, it comes close to matching the gain in GNP (Chart 7). Further, only a 5.8% gain in 1973 has been higher during the past six years.

In spite of the impact of inflation on grocery prices, the share of income spent in grocery stores (Chart 8) advanced only a tenth of a point in 1978 on a national basis. The largest share was spent by consumers in the Southeast and the smallest in Chicago and New York—9.0% and 9.2% respectively.

Infant Population

The 3% gain in the U.S. birthrate in 1977 gave rise to some speculation that the long-term decline might have run its course. The

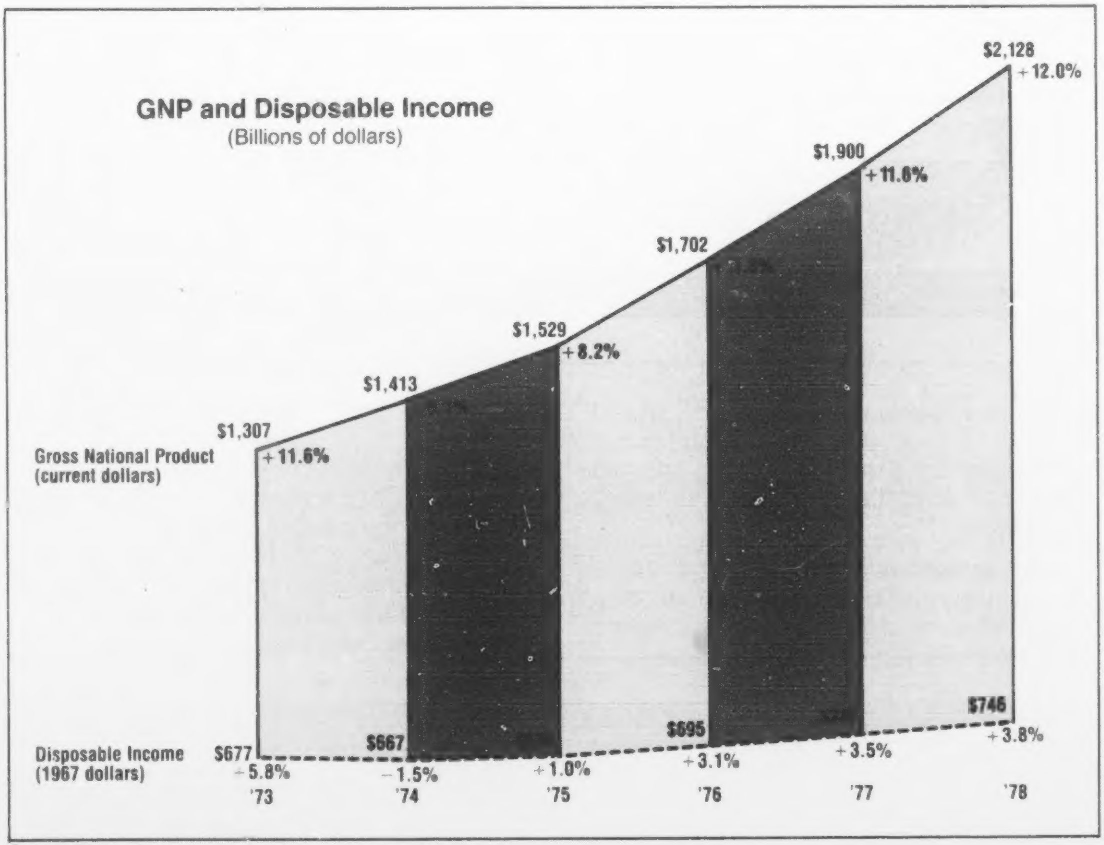


Chart 7

Per Capita Effective Buying Income and Retail Grocery Sales

	Per capita grocery store sales		Share of income spent in grocery stores	
	[illegible]	1978	[illegible]	1978
U.S.	[illegible]	$757	11.5%	11.6%
New England	[illegible]	763	[illegible]	11.2
New York	[illegible]	693	[illegible]	9.2
Middle Atlantic	[illegible]	765	[illegible]	11.4
East Central	[illegible]	754	[illegible]	11.6
Chicago	[illegible]	689	8.8	9.0
West Central	[illegible]	711	[illegible]	11.2
Southeast	[illegible]	763	13.2	13.5
Southwest	[illegible]	780	[illegible]	12.8
Los Angeles	[illegible]	806	[illegible]	10.6
Remaining Pacific	[illegible]	820	12.0	11.9

Chart 8

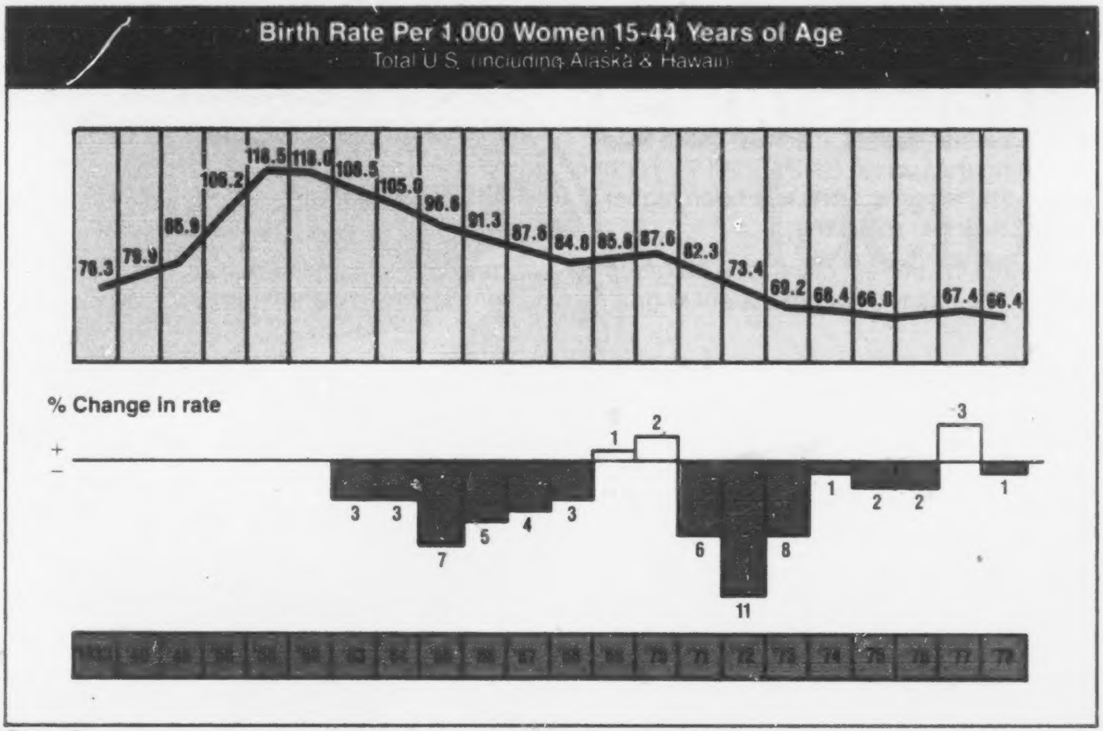


Chart 9

1978 figure put a quick end to the speculation (Chart 9) as the rate turned downward once again.

There has been a recent increase in the actual number of births, however, which is simply an echo of the baby boom following World War II. Even with the enormous increase in the number of women of child-bearing age and the huge resultant potential, the present tendency of many married couples to delay having children, and to severely limit the number as well, has kept the infant population far below what might have been expected.

chapter 3

new item introductions

Decline May Be Over

For the past three years the total number of new warehoused items* introduced into grocery stores has declined by about 600 each year (Chart 10). If the volume of new items introduced in the second half of 1979 approximates the number introduced in the first half, however, the downtrend may have run its course.

New brand introductions for the past 10 months, at least (Chart 11), have shown a slightly stronger course than for the preceding 10 (706 versus 672), indicating a certain amount of firmness for this group.

Classification of New Items

All classifications and trend data are based on NEIS Alert Reports which monitor products newly confirmed in U.S. supermarkets, nationwide, on a continuous basis.

New brands	The first time a brand name is used by its manufacturer. Example: Day I and Day II Shampoo—Colgate-Palmolive.
Established brands in new fields	Diversification by manufacturer with brand name carryover. Example: Vaseline Intensive Care Hand Lotion—Vaseline, an established brand in petroleum jelly, new to the hand care field.
Brand extension (same field)	A brand name extension into a new segment of the same general category. Example: Puss 'n Boots, an established brand in canned cat food, entering the moist cat food segment.
Brand proliferation	Generally, line extensions. Example: A new flavor of cake mix, a new size of floor wax, a new spray type of liquid starch, a new color of paper towel.

***See panel above for classification of new items.**

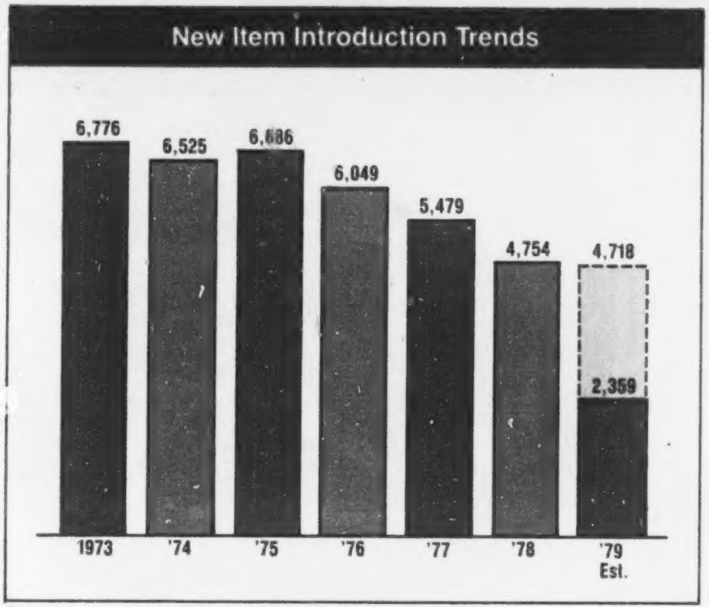


Chart 10

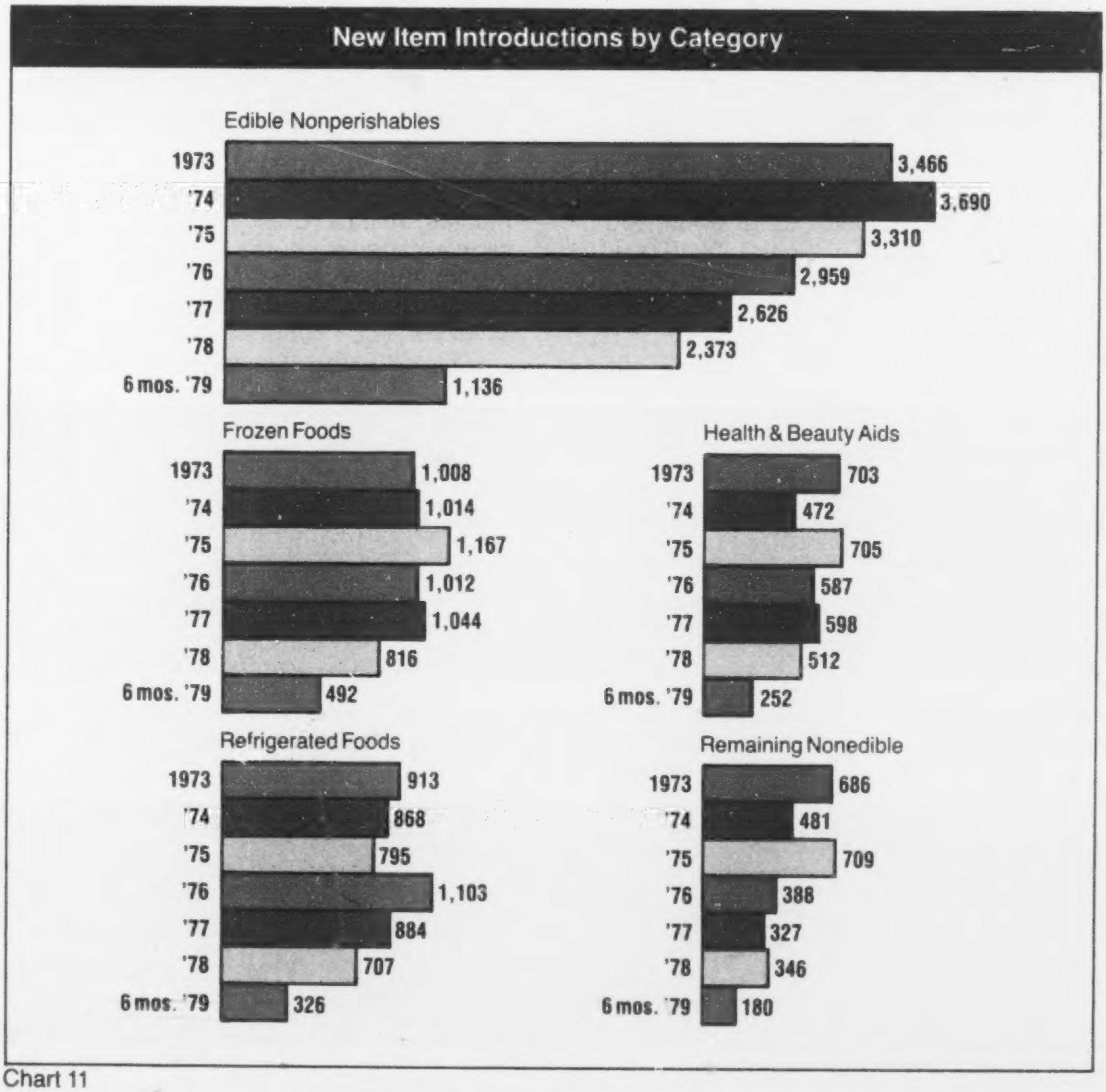
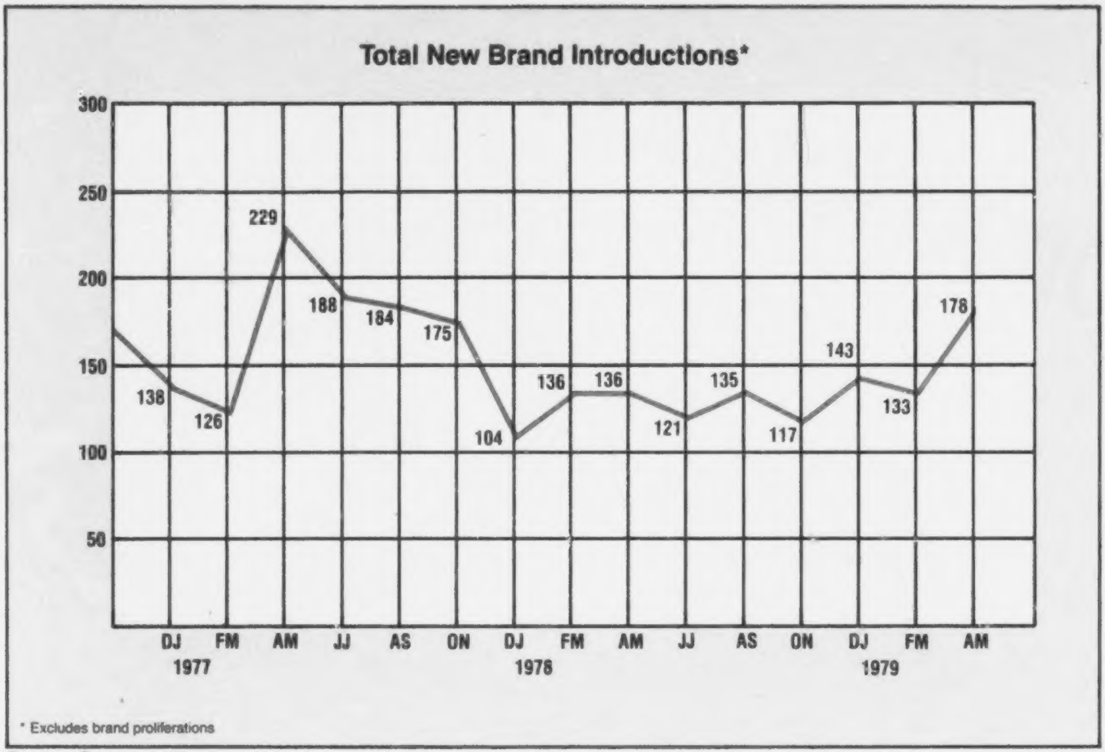


Chart 11



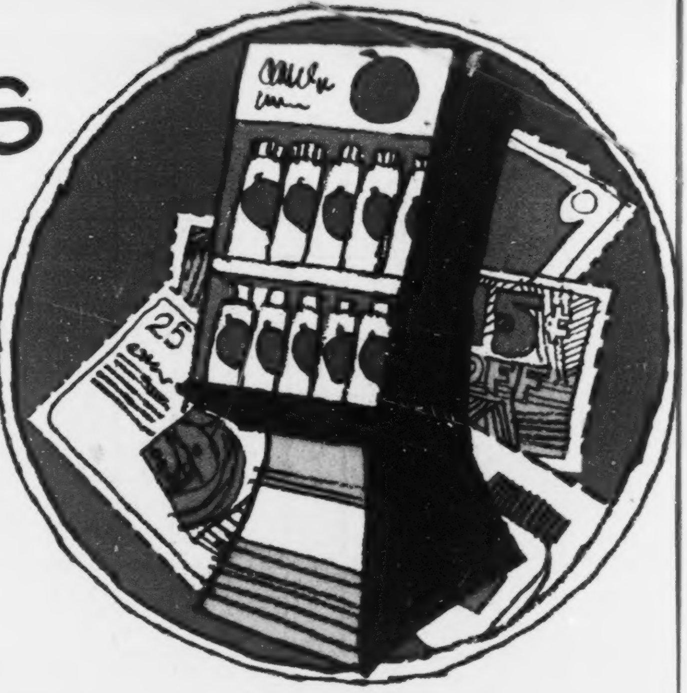
* Excludes brand proliferations

Chart 12

When viewed by category (Chart 11), it is readily apparent that the decline in introductions was spread throughout four of the five classifications. Although the decrease in number was largest in the edible group, the most significant contraction on a percentage basis was in frozen and refrigerated foods.

chapter 4

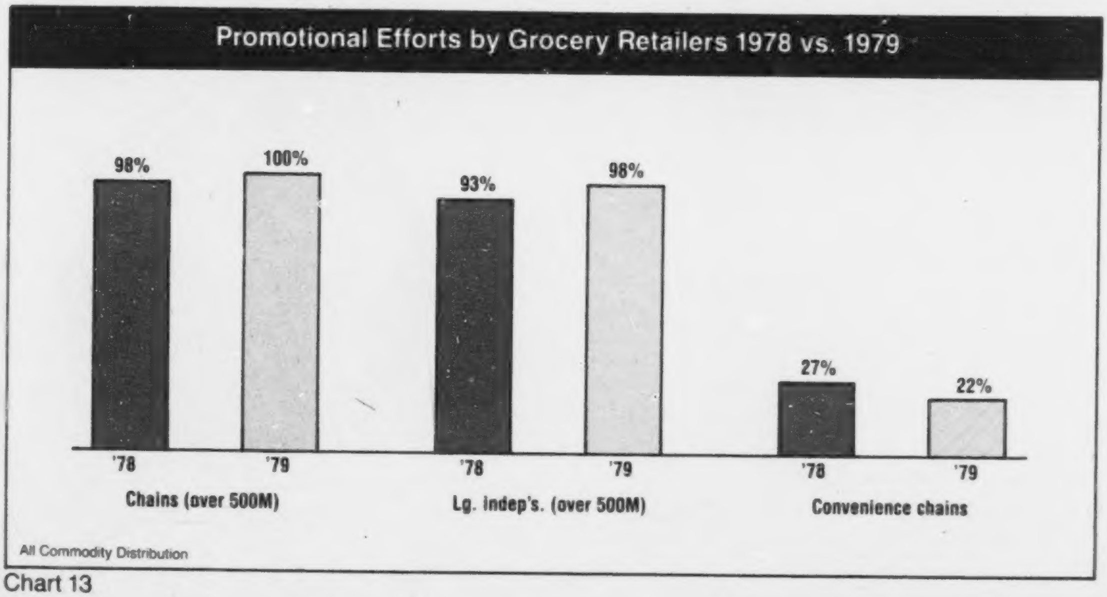
promotions



Only Minor Changes in Promotional Efforts

There were only minor changes noted in overall promotional efforts by grocery retailers in the most recent Nielsen study. On an all-commodity basis, the percentage of large independents engaging in some form of promotion moved up five points to 98%, and convenience chains reduced their efforts by the same amount (Chart 13).

When viewed by type of promotion (Chart 14), it would appear that trading stamps may be staging a mild comeback. Although nationally the gain has only been three points by chains and two by large independents, the use of trading stamps when examined by area (Chart 15) revealed increases in eight of the 10 Nielsen areas, with a decrease recorded in only one. In Chicago, for example, the use of trading



All Commodity Distribution

Chart 13

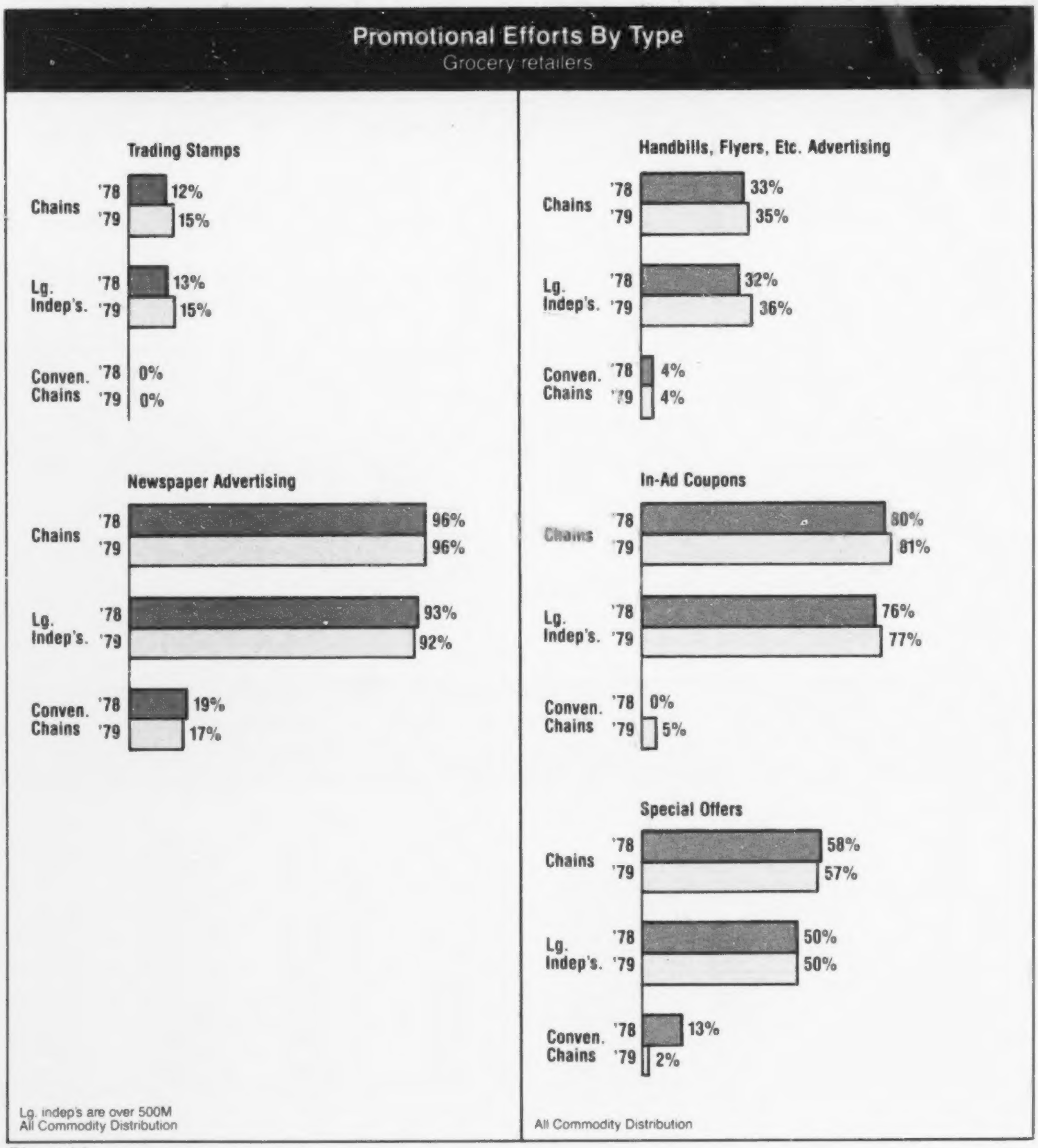


Chart 14

stamps in chain outlets rose from zero to 20% and in large independents from zero to 15%.

The only other point worthy of mention on a national basis was the reduction in use of special offers* by convenience chains—down from 13% in 1978 to 2% this year.

There were some fairly volatile swings in the usage of special offers in certain areas. In New England, for example, chains accounting for 64% of all-commodity distribution and large independents doing 59% utilized special promotions. This was reduced to 35% and 36% respectively in 1979. Although not quite so pronounced, a similar

---

* **Special offers include games, glassware, china, dictionaries etc.**

Promotional Efforts By Type & Area

Grocery retailers

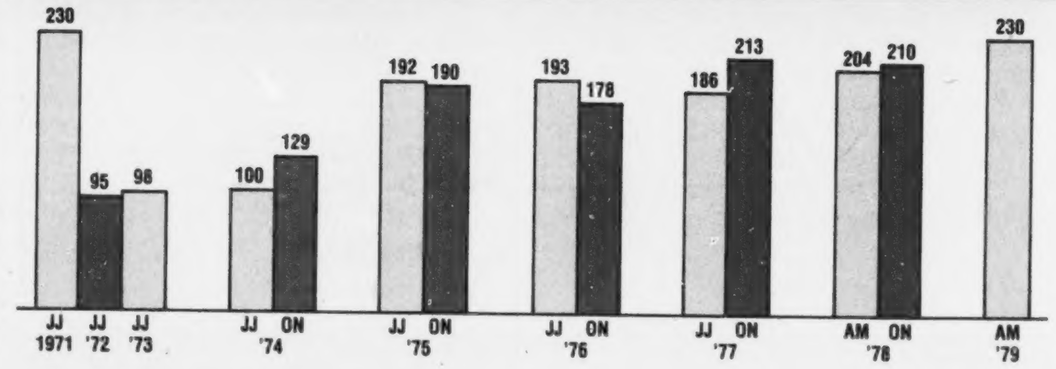
		Trading Stamps		Advertising				In-Ad Coupons		Special Offers	
				Newspapers		Handbills					
		'78	'79	'78	'79	'78	'79	'78	'79	'78	'79
New England	Chains	15%	23%	93%	89%	47%	48%	85%	66%	64%	35%
	Lg. Indep's.	17	23	84	83	46	53	83	69	59	36
Metro N.Y.	Chains	—	4	92	92	67	76	91	91	63	45
	Lg. Indep's.	—	3	90	87	63	73	89	86	51	36
Mid-Atlantic	Chains	9	11	100	99	61	44	95	94	60	74
	Lg. Indep's.	9	10	95	95	58	46	91	86	53	68
East Central	Chains	6	10	99	98	38	49	85	93	53	42
	Lg. Indep's.	7	10	96	92	37	44	82	88	47	39
Metro Chicago	Chains	—	20	99	100	53	48	99	100	79	90
	Lg. Indep's.	—	15	94	94	49	46	87	95	62	73
West Central	Chains	14	24	94	91	24	24	90	87	65	68
	Lg. Indep's.	14	21	93	91	22	26	87	87	62	63
South-East	Chains	20	23	99	99	19	26	72	76	44	59
	Lg. Indep's.	19	23	94	96	21	28	66	72	39	50
South-West	Chains	36	19	98	95	14	6	77	60	62	56
	Lg. Indep's.	39	25	96	93	15	13	66	57	52	45
Metro L.A.	Chains	7	7	94	97	27	26	71	66	64	48
	Lg. Indep's.	9	9	96	93	28	28	71	67	56	44
Remain. Pacific	Chains	4	6	89	93	10	27	56	73	52	56
	Lg. Indep's.	4	6	89	92	11	25	54	67	43	48

All Commodity Distribution

Chart 15

Usage of Price-Pack Offers in Grocery Stores*

Selected product classes
Index basis—June-July 1974 100



* Abrasive cleansers, package detergents, toilet soap, presoakers, shortenings, fabric softeners, household cleaners, brownie mixes, flour, salad & cooking oils, facial tissue, bathroom tissue, soluble coffee & regular coffee

Chart 16

pattern was evident in New York and Los Angeles. The reverse trend could also be seen in the mid-Atlantic, Chicago and Southeast, thus accounting for level reading nationally.

Price-Pack Promotions

Last year we noted that price-pack promotions that were in so little favor in 1972, '73 and '74 were definitely "back to stay" based on their usage since 1975. This was confirmed by results of the April-May period in 1979 when the index for selected product classes hit 230 once again (Chart 16).

chapter 5

product and package performance: a consumer's view

Foreword

Early in history, a defense for the reputable tradesman appeared in the form of the craft guild. Records from Mesopotamia, Egypt and China all report the existence of craft guilds and that through these guilds dishonest workmanship, shoddy materials and unfair marketing practices were discouraged.

The viability of this system is apparent in the fact that it survived, essentially intact, until the beginning of the 18th century. Obviously, maintaining quality had real advantages.

With the coming of the Industrial Revolution, however, came entirely new manufacturing techniques, which eventually led to the development of mass production in the mid-19th century and the rapid technical advances of the 20th century.

Turning out products, quite literally, by the millions, helped reduce prices and make a wider range of better products available to the individual. But it also brought with it the need for systems and techniques for assuring quality on a scale never before seen.

In no area of activity was this more true than in the food industry. Canning began in the first decade of the 19th century, and by the 1850's, great advances had been made in commercial production. With the development of high-speed continuous materials handling, the need for quality assurance became even greater.

Thus, as the industry progressed through the early part of the 20th century, a new type of professional developed. He likely was an engineer or scientist. Eventually his perspective grew to encompass all facets of operations that contributed to the quality of the finished product. Professional organizations—the American Society for Quality Control, the Institute of Food Technologists, the Pharmaceutical Manufacturer's Association and others—developed to provide an opportunity for the exchange of ideas.

Today these professionals are responsible for the quality of billions of units of products manufactured by the food and drug industries. The importance of this professional development is as elementary as our hypothetical craft guild example: A company's name and its reputation for producing quality products are inseparable.

The purpose of this study*, as well as that of comparable studies conducted in 1975

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* The study was based on a representative sample of 1,000 nationally dispersed homes. In order to qualify, a respondent had to have read premailed materials providing the principal grocery shopper an opportunity to recall recent product and packaging problems.

and 1977, is to develop some general measurements of the levels and trends of various consumer attitudes as they relate to a consumer's perception of a product's quality. It is intended to deal with broad rather than specific issues within individual industry segments.

The study is not intended, nor was it designed, for individual brand analysis. However, it might be used as a backdrop against which more individualized research might be compared.

Sources of Consumer Complaints

It is virtually impossible to develop a perspective concerning the magnitude of the challenge facing grocery store product manufacturers without first considering the enormous number of products sold through these types of outlets. In 1978, $164 billion in goods moved through the nation's retail grocery outlets.

No industry interacts more frequently with its customers than does the industry that supplies the nation's supermarkets. With the average household in the U.S. currently spending $2,200 annually in grocery stores, it is obvious that the number of individual supermarket products moving through a household in a year's time is substantial—we estimate between 1,600 and 1,800 units per household.

Thus, when it is established that 39% of the respondent households could not recall a product that did not perform according to expectation (Chart 17) during the past year, it suggests that the actual number of product or packaging failures must be very low in respect to the enormous number of products moving through the average household from supermarkets.

Our "average" household surveyed this year recalled 1.6 product and/or package problems. If we assume the estimate of 1,600-1,800 units of supermarket products per year moving into that "average" household to be roughly correct, the indication is that 0.1% dissatisfaction—or 99.9% satisfaction—is the "quality" of supermarket products. An amazing achievement on the part of this industry. This study then is developing information on the 1/10 of a per cent dissatisfaction portion.

A very important finding this year is that the 61% of the sample who could remember a product problem this time is significantly lower than the 67% measure of two years ago (Chart 17). This improvement appears to derive from overall declines in complaint levels among most demographic classifications (Chart 18). As in the 1977 study, the greatest frequency of complaint still occurs among high income families who have large grocery budgets and a family size of three or four.

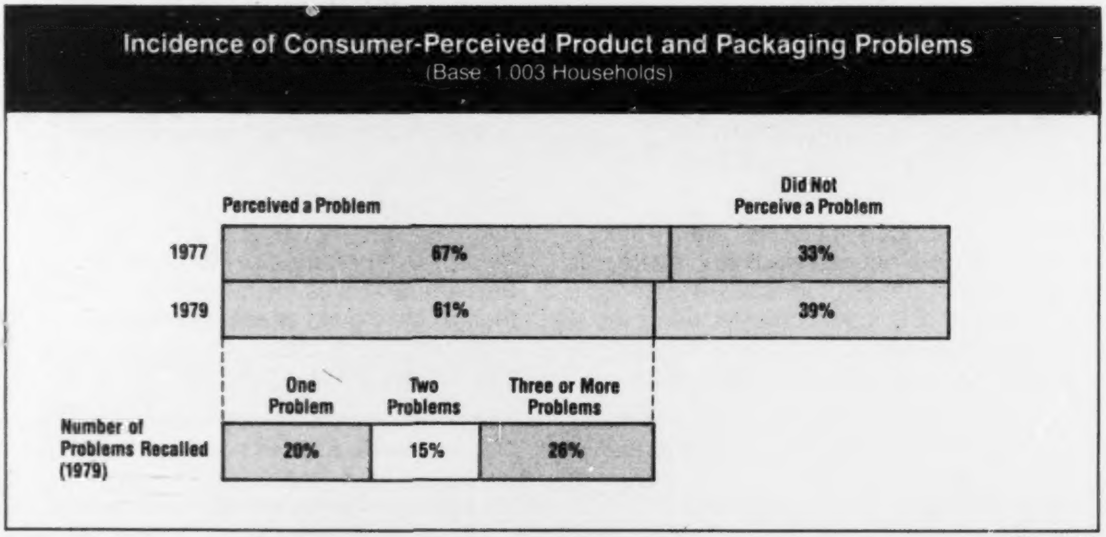

Chart 17

The Product and Package

Part of the reason behind the decline in the number of households encountering a problem appears in Chart 19. The proportion of households encountering a product shortcoming—as opposed to a packaging problem—fell from 51% to 46%. This shift primarily traces to frozen foods, with a six-point reduction, canned goods with three points, and household products also with three points. Refrigerated foods continue to lead in complaints with mentions by 18% of the contacted households.

Package-related problems changed little from levels identified in the 1977 study.

Aerosol products continue to lead in the frequency of consumer mentions, with paper products next in line but substantially lower.

Types of Problems

Each of the myriad products and packages leaving the shipping docks of U.S. manufacturers each day is subject to risks—temperature extremes, rough handling, improper stock rotation . . . the list could go on. To help identify the various sources of complaint, respondents who had indicated dissatisfaction with a product were asked the open-ended question, "What was the problem?"

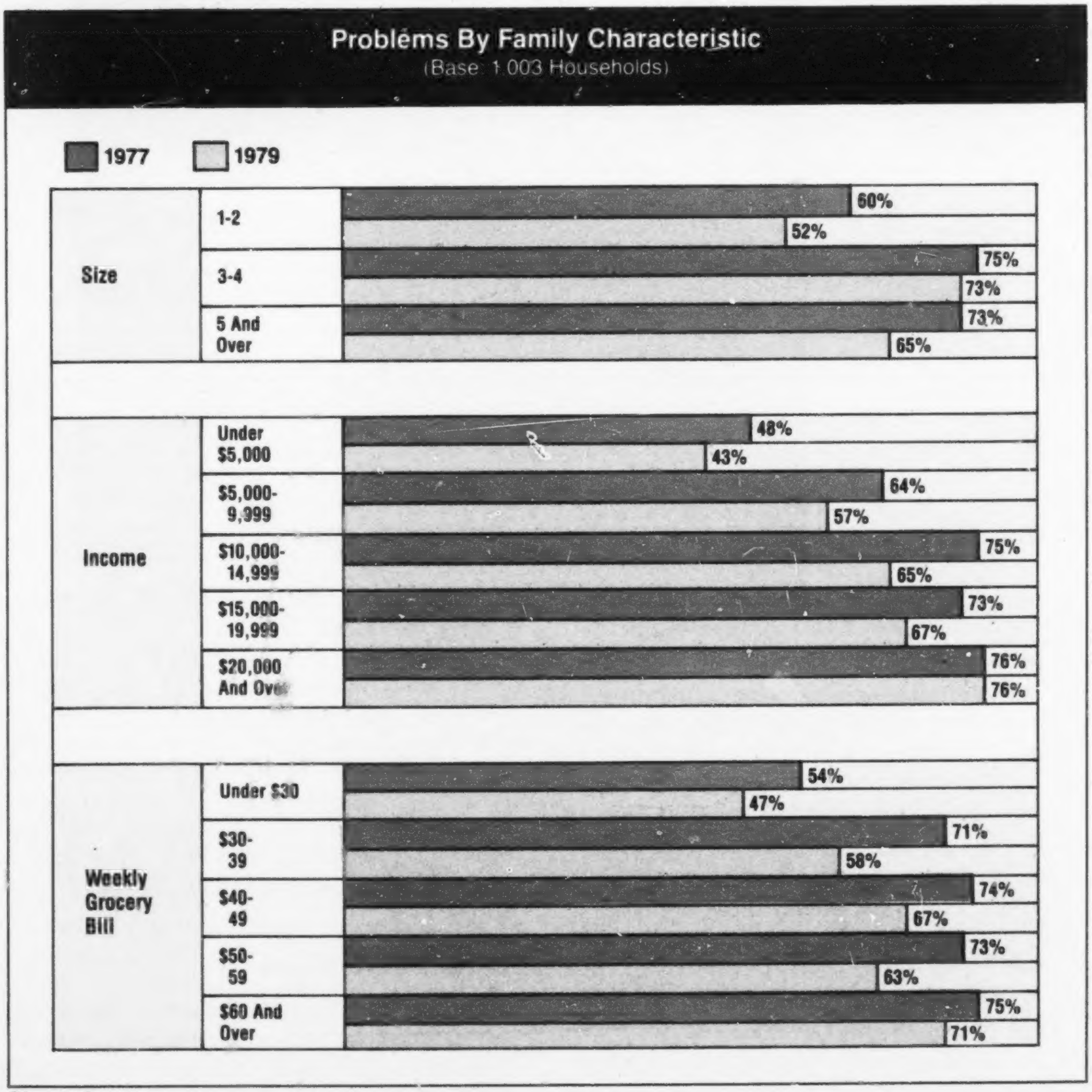

Chart 18

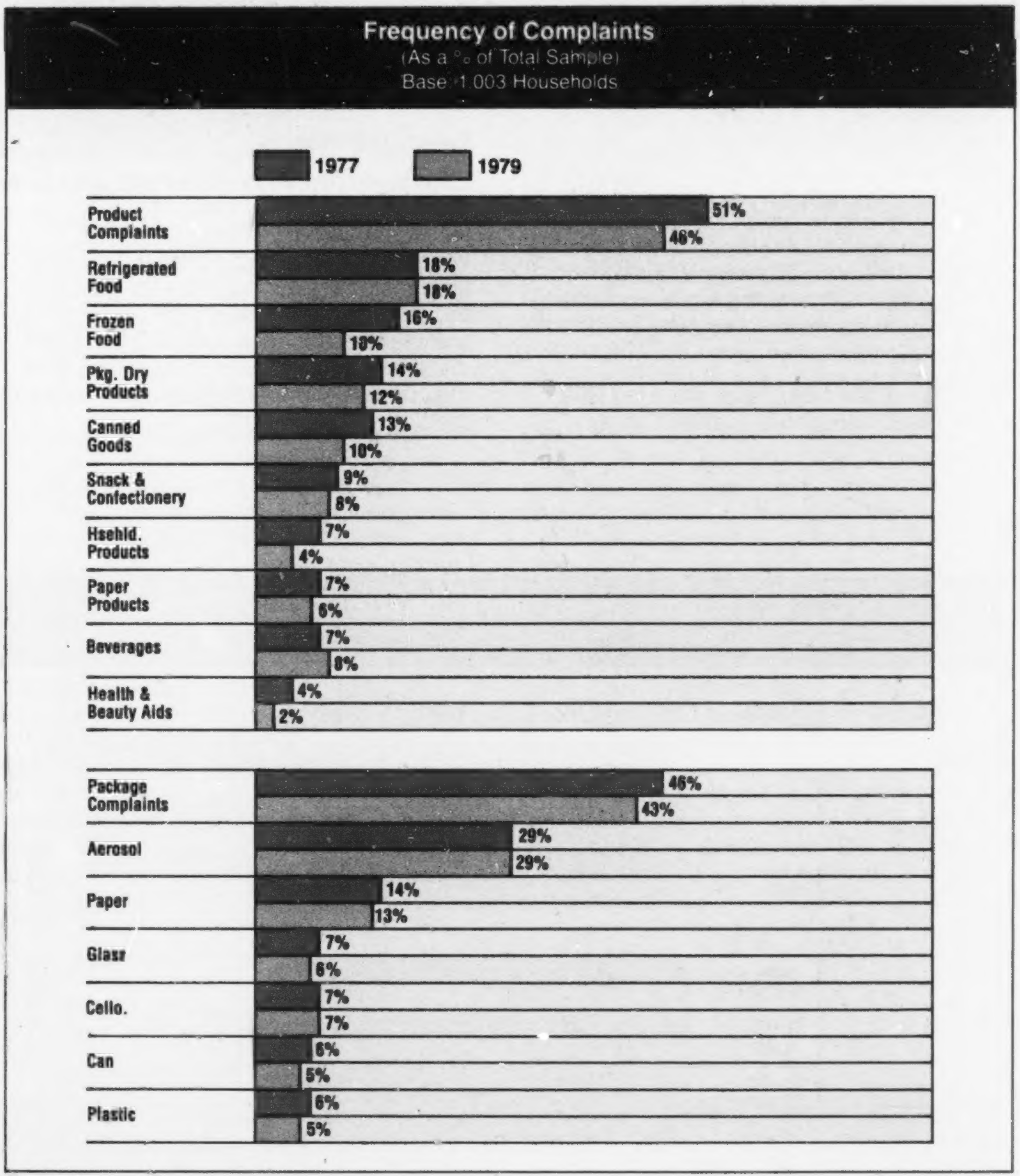

Chart 19

Among the edible categories (Chart 20), the most frequently volunteered reason for complaint related to the freshness of the product. This is especially pronounced in the refrigerated categories. Among the non-edible categories, "Didn't perform as expected" drew the largest number of mentions.

Many of the packaging complaints (Chart 21) also traced to just a few causes—clogged or inoperative dispenser, hard to open, or damaged containers. These responses are little different from the previous study.

Consumer Reaction

The consumer has several options available when faced with one of these performance situations. If it's a packaging problem, the consumer may choose to attempt to over-

Types of Product Complaints—by Product Category

Product Category	% of Households Having a Product Complaint (Base 1,003)	Type of Complaint	% of Complainers for Specific Product Category
Frozen Foods	10	Freezer Burn	42
		Bad Taste	14
		Product Freshness	13
Refrigerated Foods	18	Product Freshness	84
Canned Goods	10	Product Freshness	26
		Bulged Can	16
		Contaminated	9
		Bad Taste	8
		Discolored Product	8
Packaged Dry Goods	12	Contaminated	60
		Product Freshness	14
Health & Beauty Aids	2	Didn't Perform as Expected	19
		Contents Dried Up	15
Household Products	4	Didn't Perform as Expected	46
		Not Full Package	11
Paper Products	6	Didn't Perform as Expected	55
		Falls Apart	15
Snack & Confectionary	8	Product Freshness	43
		Broken or Crumbled	27
Beverages	8	Excessive/Insufficient Carbonation	41
		Not Full	21
		Bad Taste	16
		Contaminated	14

Chart 20

come the problem and still use the product. The consumer may fail to finish the use of the product and chalk it up to experience. The product could be returned to the retailer. But whatever the problem, the most effective action the consumer can take is to communicate the complaint directly to the manufacturer of the product.

One of the most important findings of this series of studies has been the low incidence of complaints communicated directly to the manufacturer. When those persons who perceived a product problem were asked what they did about it (Chart 22), we found again this year that about one-fourth returned the product to the retailer, another fourth discarded the product without further use, 4% made what they considered a complaint to the store, and only 3% wrote the manufacturer. The majority (39%) chose to do nothing in an active way.

Packaging problems elicit even less response. Consumers are apparently more tolerant of packaging problems than product problems. About one-fifth of our respondents who perceived a package problem returned the product to the store, and another fifth discarded the item without further use. Three per cent complained to the store, and a miniscule 1% wrote the manufacturer. More than half of the respondents chose to take no action at all.

The Manufacturers' Response

In Chinese calligraphy, the character for "crisis" is a combination of the characters

Types of Package Complaints—by Package Type

Package Type	% of Households Having a Package Complaint (Base 1,003)	Type of Complaint	% of Complainers for Specific Package Type*
Aerosol	29	Clogged/Inoperative	81
		Insufficient Pressure	20
Can	5	Opening Feature/Flip Top	31
		Hard to Open	24
		Dented	24
Paper	13	Broken Package	32
		Hard to Open	24
		Slit Package	19
Cello	7	Hard to Open	38
		Slit Package	31
Glass	6	Chipped/Broken	53
		Hard to Open	19
Plastic	5	Leaky/Broken	24
		Hard to Open	24

* May add to more than 100% due to multiple response

Chart 21

for "danger" and "opportunity." And, though a consumer letter may not constitute a "crisis," it does present elements of danger and opportunity—the "danger" that a loyal customer might be lost to a competing brand and the "opportunity" to compensate for the problem and assure a continuing relationship with the customer.

Most, if not all, companies recognize this danger/opportunity potential in their personal interaction with these special customers. Their investment in the consumer affairs area and their quickness in responding appropriately to consumer inquiries has continued to evolve to the point where some currently maintain wide area telephone service (WATS) facilities to make this direct access much easier for their customers.

But, whatever the method, this research indicates a very high level of satisfaction being created by manufacturers in responding to their customers' complaints. Chart 23 shows that of our 32 respondents who wrote manufacturers in this year's study, 26 remembered receiving a response. Furthermore, of the 26 who received a response, 24—or over 90%—were satisfied.

These manufacturer responses could have been in the form of a letter of apology, a free replacement, a coupon or any other manufacturer response. The details in the research indicate that almost *any* response satisfies the consumer.

Effect on Buying Habits

As we have seen, most consumers when faced with a product or package complaint do not, for whatever their reasons, make their feelings known to those in a position to take corrective action on their behalf. But whether they voice their complaint or not, all will continue to make buying decisions, and

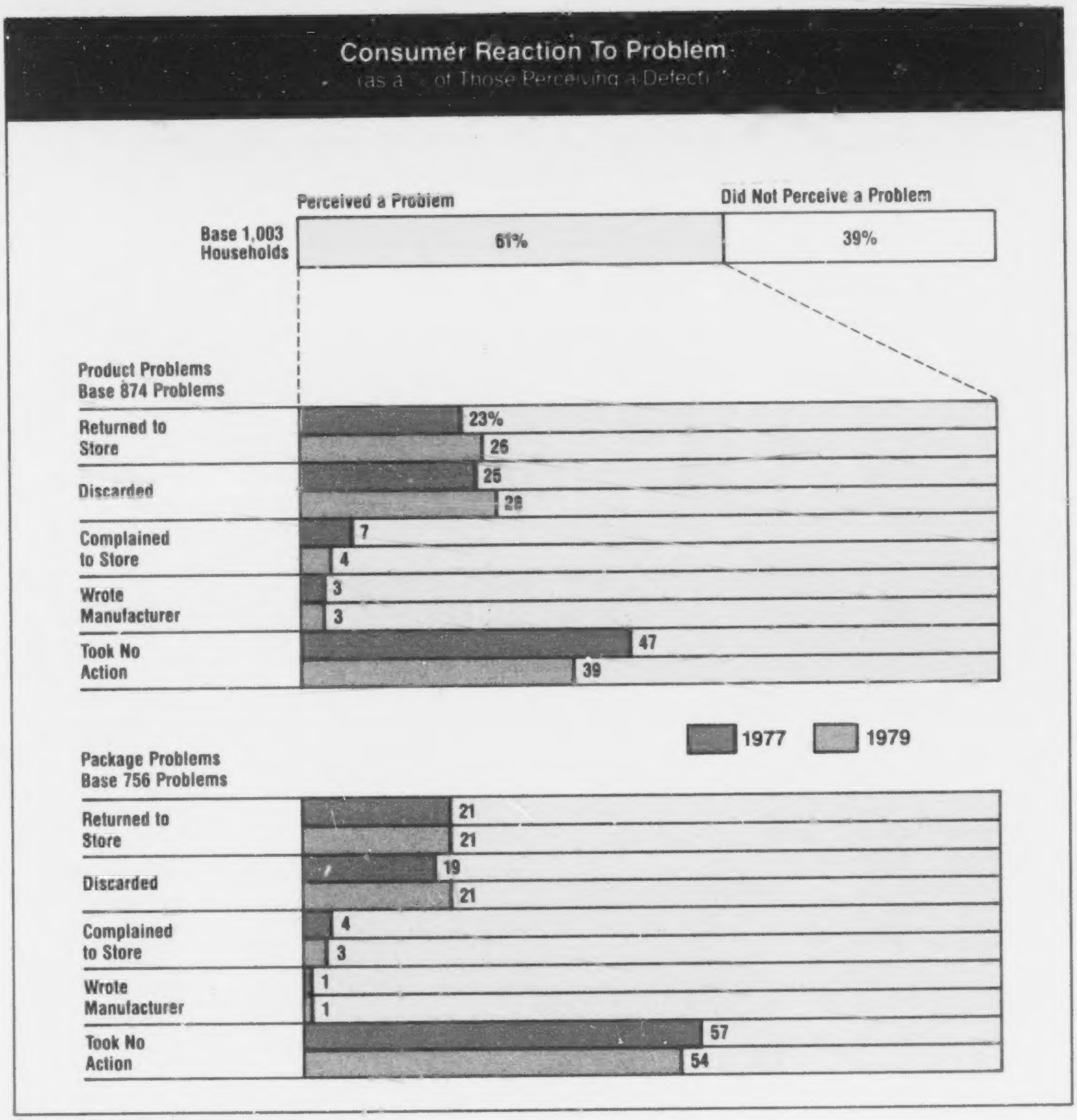
Consumer Reaction To Problem
(as a % of Those Perceiving a Defect)

Chart 22

these decisions should reveal something of the severity of the complaint.

Our most recent data (Chart 24) indicate that those who react to a product complaint by switching brands continue to be a significant percentage—29%.

Chart 25 summarizes major complaints and action taken for the frozen foods and refrigerated foods categories. Freezer burn explains 42% of the dissatisfaction in frozen food with product freshness adding another 13%. Eighty-two per cent of all refrigerated food complaints are explained as "product freshness." In the food industry, the entire distribution system—from manufacturers' production line to retailers' refrigeration equipment—must work effectively to solve the quality issue.

While the manufacturer has little control over most of this distribution system, it's important to note that the consumer action in one-fourth of these situations results in brand switching. Other loyalty decisions involve flavor/type/size, package type, product category, even the retail store itself.

Compared to those persons with a product complaint, those who had a packaging complaint (Chart 24) were less inclined to switch brands—17%. Nearly half indicated they would continue to buy the same brand

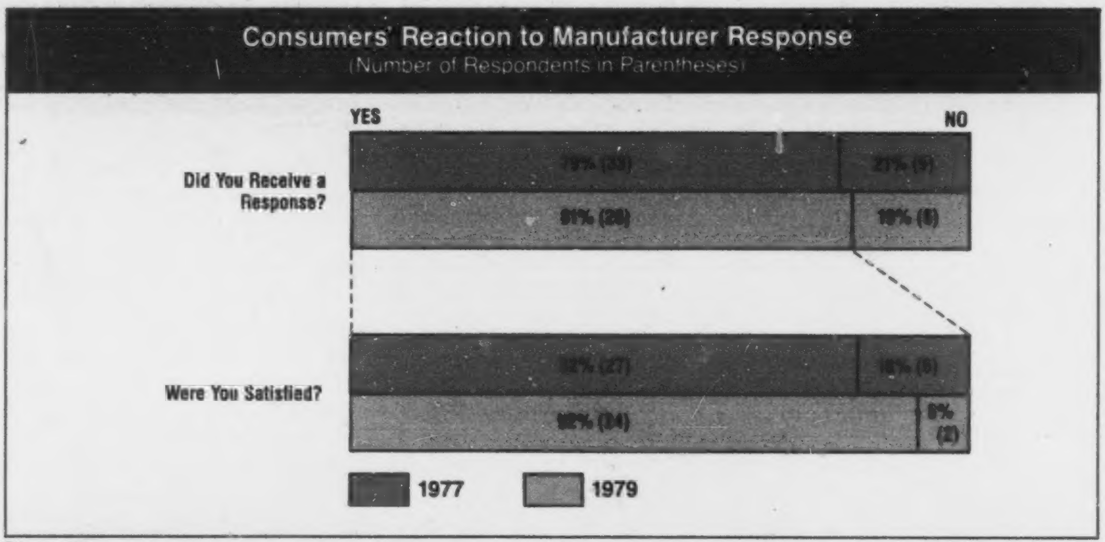

Chart 23

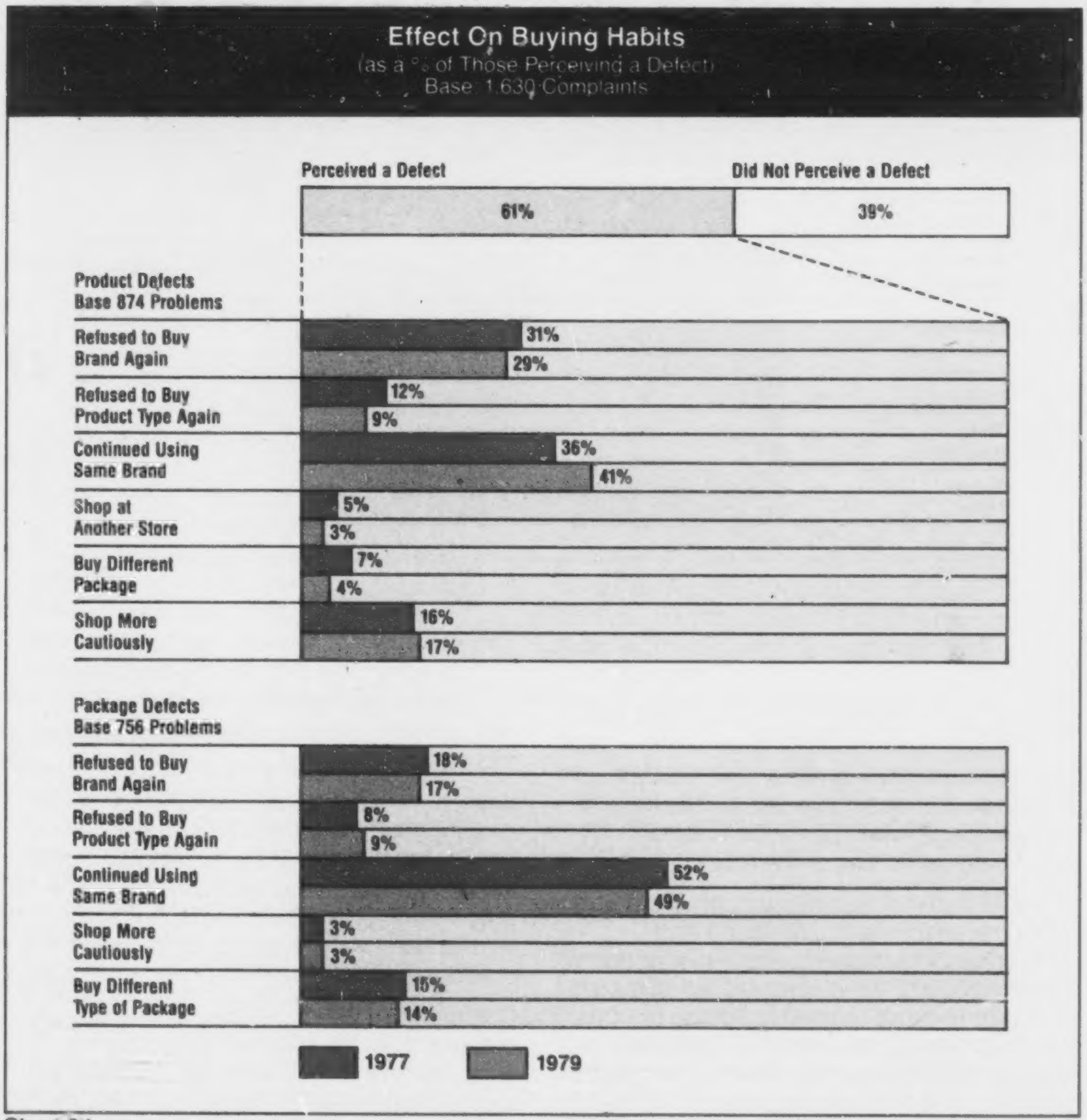

Chart 24

Major Complaints and Actions Taken When Encountering a Problem With Perishable Products

(As a % of Complaints Mentioned in Each Product Category)

	Frozen Foods (Base 104 Complaints)	Refrigerated Foods (Base 217 Complaints)
Major Reason For Complaint		
Freezer Burn/Refrozen	42%	—
Product Freshness	13	82%
Bad Taste	14	7
Discolored	12	1
Other	19	10
Action Taken		
Changed Brands	26%	26%
Switched Flavor/Type/Size	2	1
Switched Package Type	6	2
Switched Product Type/Category	18	4
Changed Stores	3	5
More Cautious About What I Buy	8	26

Chart 25

Taking Action as a Function of the Number of Problems Recalled

	% Sample Recalling (Base 1,003)	Number of Problems Recalled	% of Those Recalling Who Took Some Action*	% of Those Recalling Who Switched Brands
No Problems	39.0	0	0	0
One Problem	19.6	197	31	22
Two Problems	15.3	306	44	31
Three or More Problems	26.1	1,521	65	59

* Wrote, Called, Returned to Store, Complained to Store Responses

Chart 26

again. Apparently, product values will compensate for packaging problems in some cases.

Of special interest to retailers are those consumers who reacted to a product problem by choosing to shop elsewhere. We found that about one-half of these persons who said they changed stores had problems with frozen or refrigerated products. Had the study included two other major perishable areas generally associated with store responsibility for quality, fresh meat and produce, the numbers of these respondents may have been higher.

Are There Identifiable Groups of Complainers?

To address this issue, we separated the respondents who recalled having no problems from those with one, two, or three or more problems. Not surprisingly, the likelihood of taking some action (Chart 26) and the likelihood of switching brands related closely to the number of problems recalled.

We further tabulated responding households according to the number of problems encountered by selected demographic groups (Chart 27). Smaller, lower income, lower grocery expense, and lower educational levels encountered fewer problems while, at the opposite end of the spectrum, the recall of problems is concentrated among the highest income and highest weekly grocery bill categories.

We then looked to see if those who took some kind of action confirmed this general profile (Chart 28), and once again we found that it did.

Characteristics of Households By Number of Problems Recalled

Characteristics	Total Sample (Base 1,003)	No Problem Households (Base 391)	One Problem Households (Base 197)	Two Problem Households (Base 153)	Three or More Problem Households (Base 262)
Household Size					
1-2	50%	62%	50%	45%	36%
3-4	34	24	34	43	44
5-Over	16	14	16	12	20
Household Income					
Under $5,000	9	14	9	4	4
$ 5,000- 9,999	23	29	26	24	14
$10,000-14,999	17	16	16	12	20
$15,000-19,999	22	21	24	25	20
$20,000-over	29	20	25	35	42
Weekly Grocery Bill					
Under $30	21	30	24	15	11
$30-39	14	16	14	16	11
$40-49	16	14	18	18	16
$50-59	16	15	18	16	14
$60-over	33	25	26	35	48
Education of Respondent					
Some High School or Less	23	35	19	18	10
Graduated High School	39	36	44	38	40
Some College	20	15	17	25	28
Graduated College	18	14	20	19	20

Chart 27

Are There Identifiable Groups of Complainers?

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We then looked to see if those who took some kind of action confirmed this general profile (Chart 28), and once again we found that it did.

We are therefore led to conclude that the likelihood to encounter a problem and the likelihood to take some action are basically related to the exposure to higher numbers of supermarket products coming into the household. If there are important population segments that tend to complain, they aren't clearly identifiable in this particular survey.

In Conclusion

In many respects, the 1979 study reaffirms the findings of the 1977 study.

—Thirty-nine per cent of the households in the sample could not recall encountering a

Are There Demographic Groups With a Strong Likelihood of Taking Action on a Problem?

Selected Characteristics	% Of Those Who Recalled a Problem (Base 612)	% Who Took Some Action (Wrote, Called, Returned or Complained to Store)
Total Sample	100	49
Household Size		
1-2	43	43
3-4	40	54
5-over	17	54
Household Income		
Under $5,000	6	36
$ 5,000-9,999	20	51
$10,000-14,999	17	55
$15,000-19,999	22	42
$20,000-over	35	53
Weekly Grocery Bill		
Under $30	16	43
$30-39	13	46
$40-49	17	42
$50-59	16	46
$60-over	38	56
Education of Respondent		
Some High School or Less	15	41
Graduated High School	41	52
Some College	24	54
Graduated College	20	45

Chart 28

product that did not meet their expectations. Considering the number of supermarket products going into homes annually, this finding seems to indicate a high degree of general product quality.

—The incidence of households encountering a problem fell from 67% to 61% in this two-year period of time. A significant improvement.

—Most households don't take the effort to communicate their product and packaging problems directly to the manufacturers.

—Of those households who do communicate with manufacturers, 80% receive a response and more than 90% are satisfied with that response.

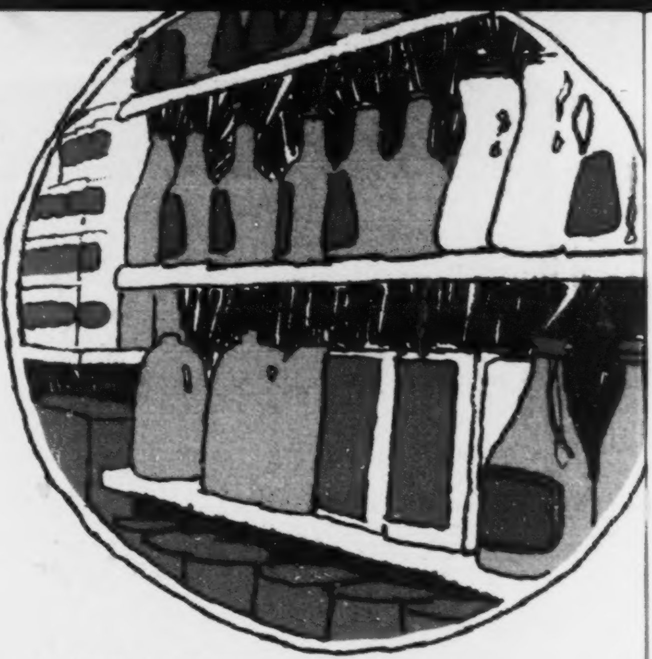
—A considerable number of consumer loyalty decisions are still being made because of product and packaging problems not reported to either the manufacturer or the retailer.

These findings suggest that manufacturers and retailers, in general, are doing a better job of meeting the challenges of producing high-quality goods consistent with today's consumer demand—at least in the eyes of the consumer.

Even with the excellent level of quality that exists with supermarket products, there remain important areas of product and packaging improvement. Coupling this opportunity with the expectation that government activity and the public wave of consumerism will continue, we are led to believe that manufacturers and retailers should continue to invest in improved quality.

chapter 6

space allocations dry groceries



The 23 product classes used to sample average space allocations for dry groceries reflected a net addition of five linear feet for 1978, with the largest increase (crackers) limited to just three feet and most only a single foot (Charts 29 and 30). Natural cereals suffered the largest loss, off an average of five feet—one of the five product classes that experienced some reduction in space allocation. The space allocated chewing gum was also cut back an average of three feet. This product class had received an unusually large addition last year (an average of seven feet), which probably reflects the constant pressure on space for impulse items.

Cigarettes

The percentage of stores in the total U.S. offering cartons of cigarettes on a self-service basis climbed six points during 1978 (Chart 31). This would appear to be an indication that more retailers have been attempting to sell the "large size" of cigarettes plus hastening consumers through the checkout process.

The increase did not extend to all territories, however. There were decreases in Metro Chicago and the Southeast, but these were more than offset by large increases in Metro New York and the Remaining Pacific.

Chart 32 provides the average linear feet allocated to cigarettes by size of chain. Overall, there was no difference in the average footage allocation for all chains, but by volume type there were at least minor changes in every classification. The largest increase was the eight feet allocated by the chains with average dollar volumes, ranging from three to four million.

Average Linear Feet of Shelf Space Per Store I

(Selected Product Groups—Chains Over 500M)

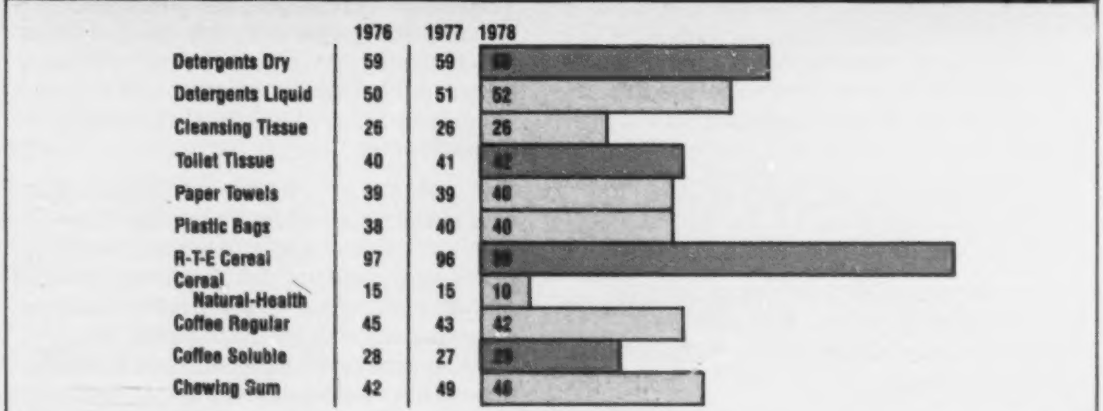


Chart 29

Average Linear Feet of Shelf Space II

(Selected Product Groups—Chains Over 500M)

		1976	1977	1978
Dog Food	Dry Type	51	57	[illegible]
	Canned Wet	52	54	[illegible]
	Moist Type	20	20	20
Cat Food	Dry Type	20	21	[illegible]
	Moist	11	12	[illegible]
	Canned Specialty	34	33	33
	Canned Maintenance	12	13	[illegible]
	Crackers	59	61	[illegible]
Soft Drinks	Liquid	182	193	195
Candy	Ret. Less Than $3.50	124	127	[illegible]
Soup	Canned & Dry	88	93	[illegible]
Fruit Drinks	Canned	48	49	47

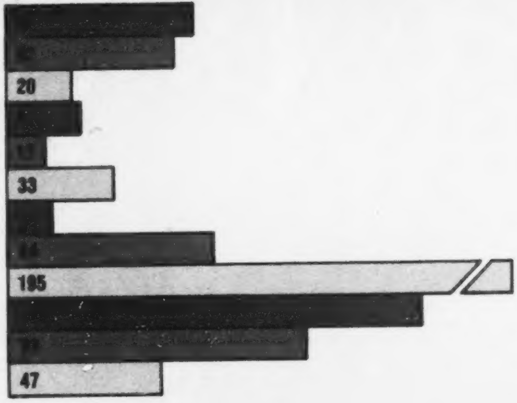


Chart 30

Self-Service Cigarettes

(Chains over 500M)

	% of Stores Selling Cigarettes Via Self-Service	
	1977	1978
Total U.S.	59	65
New England	33	40
Metro New York	10	29
Mid-Atlantic	30	39
East Central	71	77
Metro Chicago	52	49
West Central	84	90
Southeast	62	55
Southwest	70	75
Metro Los Angeles	62	77
Rem. Pacific	60	93

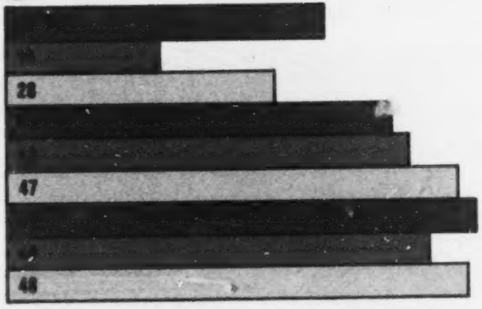
* Cartons only

Chart 31

Average Linear Feet Devoted to Cigarettes*

(all chains by volume)

	1976	1977	1976
Total All Chain Stores	31 Ft.	33 Ft.	[illegible]
Under $500,000 (Under $1 Million)	16	16	[illegible]
$500,000 To $1 Million	—	—	28
$1 To $2 Million	35	38	[illegible]
$2 To $3 Million	40	44	[illegible]
$3 To $4 Million	36	39	47
$4 To $5 Million	45	48	[illegible]
$5 Tc $6 Million	44	53	[illegible]
$6 Million and Over	54	47	46



* Cartons only

Chart 32

chapter 7

frozen & refrigerated foods

Chains Expand Frozen Food Capacity

Large chain supermarkets continued to expand their capacity for stocking frozen foods, boosting the national average to over 300 linear feet for the first time in history (Chart 33). Chains in New England and New York made minor reductions, but chains in all other territories recorded gains—four over 10%. Capacity in Los Angeles chains was up 13% resulting in an average linear footage of 408 feet, the largest in the nation.

Frozen vegetables (excluding potatoes) continued to lead with an allocation of 54

Total Frozen Foods Average Linear Feet of Shelf Space
(Chains Over 500M)

	1974	'75	'76	'77	'78	% Change vs. year ago
New Eng.	[illegible]	[illegible]	[illegible]	323	316	− 2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mid. Atlantic	[illegible]	[illegible]	317	[illegible]	[illegible]	+ 3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+ 12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Southeast	216	[illegible]	[illegible]	[illegible]	[illegible]	+ 6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
L.A.	327	327	[illegible]	[illegible]	[illegible]	+ 13

Chart 33

Average Linear Feet of Shelf Space Frozen Foods by Type
(Chains over 500M—1978)

	Potatoes	[illegible]	[illegible]	Other Juices	[illegible]	[illegible]	Pastry Items	[illegible]	[illegible]	Entree Items	[illegible]	[illegible]	Fish	[illegible]	[illegible]	A.O. Rem. Items
U.S.	21 Ft.	[illegible]	[illegible]	10 Ft.	[illegible]	[illegible]	25 Ft.	[illegible]	[illegible]	32 Ft.	[illegible]	[illegible]	29 Ft.	[illegible]	[illegible]	36 Ft.
N.E.	21	[illegible]	[illegible]	10	[illegible]	[illegible]	25	[illegible]	[illegible]	32	[illegible]	[illegible]	27	[illegible]	[illegible]	45
N.Y.	19	[illegible]	[illegible]	10	[illegible]	[illegible]	32	[illegible]	[illegible]	40	[illegible]	[illegible]	23	[illegible]	[illegible]	40
M.A.	22	[illegible]	[illegible]	10	[illegible]	[illegible]	28	[illegible]	[illegible]	37	[illegible]	[illegible]	35	[illegible]	[illegible]	48
E.C.	21	[illegible]	[illegible]	8	[illegible]	[illegible]	20	[illegible]	[illegible]	29	[illegible]	[illegible]	31	[illegible]	[illegible]	30
CH'GO	28	[illegible]	[illegible]	8	[illegible]	[illegible]	29	[illegible]	[illegible]	45	[illegible]	[illegible]	45	[illegible]	[illegible]	35
W.C.	27	[illegible]	[illegible]	12	[illegible]	[illegible]	27	[illegible]	[illegible]	34	[illegible]	[illegible]	37	[illegible]	[illegible]	36
S.E.	18	[illegible]	[illegible]	8	[illegible]	[illegible]	22	[illegible]	[illegible]	28	[illegible]	[illegible]	24	[illegible]	[illegible]	32
S.W.	17	[illegible]	[illegible]	8	[illegible]	[illegible]	22	[illegible]	[illegible]	24	[illegible]	[illegible]	27	[illegible]	[illegible]	30
L.A.	23	[illegible]	[illegible]	18	[illegible]	[illegible]	27	[illegible]	[illegible]	48	[illegible]	[illegible]	36	[illegible]	[illegible]	46
R. PAC.	24	[illegible]	[illegible]	14	[illegible]	[illegible]	25	[illegible]	[illegible]	32	[illegible]	[illegible]	24	[illegible]	[illegible]	37

314
325
327

Chart 34

Total Refrigerated Foods Average Linear Feet of Shelf Space
(Chains Over 500M)

	[illegible]	'78	[illegible]	'78	[illegible]
U.S.	[illegible]	217 Ft.	[illegible]	248 Ft.	[illegible]
New Eng.	[illegible]	211	[illegible]	233	[illegible]
New York	[illegible]	208	[illegible]	226	[illegible]
Mid. Atlantic	[illegible]	227	[illegible]	251	[illegible]
E. Central	[illegible]	207	[illegible]	237	[illegible]
Chicago	[illegible]	223	[illegible]	269	[illegible]
W. Central	[illegible]	211	[illegible]	245	[illegible]
Southeast	[illegible]	201	[illegible]	228	[illegible]
Southwest	[illegible]	218	[illegible]	248	[illegible]
L.A.	[illegible]	270	[illegible]	338	[illegible]
Rem. Pac.	[illegible]	229	[illegible]	271	[illegible]

Chart 35

feet, up three feet from '77, with entrees and fish a distant second and third (Chart 34). Frozen bread was broken out separately for the first time in 1978, having been previously included in all remaining items.

Refrigerated Foods

The average linear feet devoted to refrigerated foods on a national basis increased also (+8%) with all areas except New York posting gains. The most noteworthy increase occurred in Los Angeles (+17%), pushing the average well above the 300-foot mark. Linear footage gains of over 10% were also recorded in four other areas—Chicago, West Central, Southwest and the Remaining Pacific.

Cheese (excluding cottage cheese), milk products and margarine continued to occupy the largest amounts of space, with cheese the dominant product group among the three (Chart 36). Refrigerated rolls was

Refrigerated Foods by Type Average Linear Feet of Shelf Space

(Chains Over 500M)

	[illegible]	R-T-S Orange [illegible]	Refrig. Fruit Drinks	[illegible]	[illegible]	Eggs	[illegible]	[illegible]	Refrig. Biscuits	[illegible]	[illegible]	Refrig. Yogurt	[illegible]
U.S.	[illegible]	9 Ft.	8 Ft.	[illegible]	[illegible]	16 Ft.	[illegible]	[illegible]	14 Ft.	[illegible]	[illegible]	16 Ft.	[illegible]
N.E.	[illegible]	11	5	[illegible]	[illegible]	12	[illegible]	[illegible]	7	[illegible]	[illegible]	19	[illegible]
N.Y.	[illegible]	12	6	[illegible]	[illegible]	10	[illegible]	[illegible]	6	[illegible]	[illegible]	21	[illegible]
M.A.	[illegible]	10	9	[illegible]	[illegible]	12	[illegible]	[illegible]	8	[illegible]	[illegible]	18	[illegible]
E.C.	[illegible]	7	9	[illegible]	[illegible]	13	[illegible]	[illegible]	12	[illegible]	[illegible]	12	[illegible]
CH'GO	[illegible]	16	6	[illegible]	[illegible]	15	[illegible]	[illegible]	15	[illegible]	[illegible]	16	[illegible]
W.C.	[illegible]	6	6	[illegible]	[illegible]	14	[illegible]	[illegible]	10	[illegible]	[illegible]	13	[illegible]
S.E.	[illegible]	6	9	[illegible]	[illegible]	19	[illegible]	[illegible]	19	[illegible]	[illegible]	13	[illegible]
S.W.	[illegible]	6	8	[illegible]	71	16	[illegible]	37	22	[illegible]	[illegible]	11	[illegible]
L.A.	[illegible]	16	13	[illegible]	105	21	[illegible]	30	12	[illegible]	7	24	[illegible]
R. PAC.	[illegible]	7	8	[illegible]	91	20	[illegible]	[illegible]	11	[illegible]	[illegible]	20	[illegible]

Chart 36

Profile of Cheese Sales*

(All Chains by Volume S-O 1978)

	Total Bimo. $ Sales 000's By Size	Share of Total Vol.	Avg. Proj. Linear Footage	$ Sales Per Ft. Per Mo.	Unit Sales Per Store Per Mo.	Avg. Units of Inv.	Avg. Monthly Gross Profit Per Ft.		
							25%	30%	35%
Under 3,000 Sq. Ft.	7,482	2	9	24	185	183	6.00	7.20	8.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8-12,000 Sq. Ft.	78,367	18	60	125	[illegible]	[illegible]	31.25	37.50	43.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16-20,000 Sq. Ft.	94,394	22	94	128	[illegible]	[illegible]	32.00	38.40	44.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over 24,000 Sq. Ft.	69,706	16	101	153	10,990	5,874	38.25	45.90	53.55

Chart 37

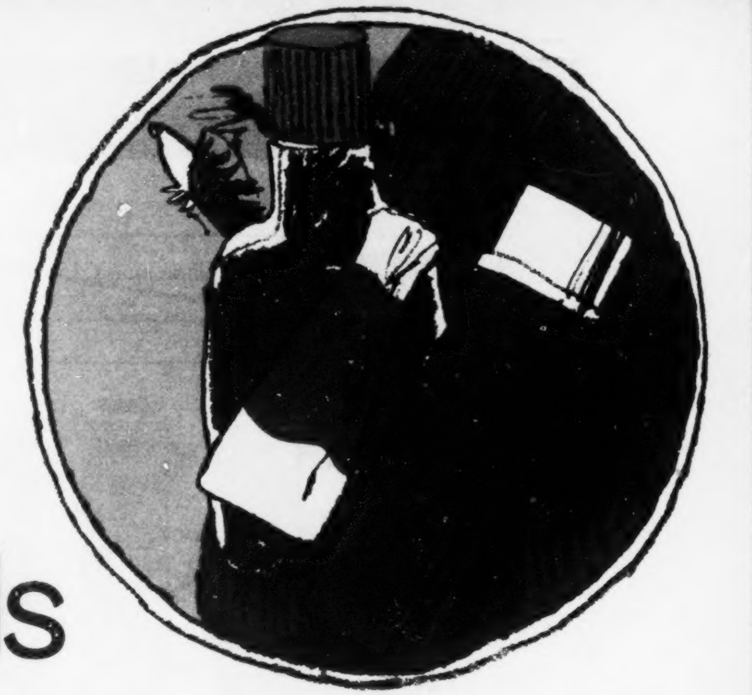
the only product class awarded less space in 1978 (minus one foot) than in '77. One foot reductions occurred in New York, Middle Atlantic, and the East and West Central areas.

A profile of cheese sales is provided on Chart 37 for all chain stores by size group.

The two size groups—12,000-16,000 and 16,000-20,000-sq.-ft. stores—account for close to half of all cheese sales. The highest dollar sales per foot were recorded by the largest stores, however, even though they allocated to cheese the largest amount of linear footage.

chapter 8

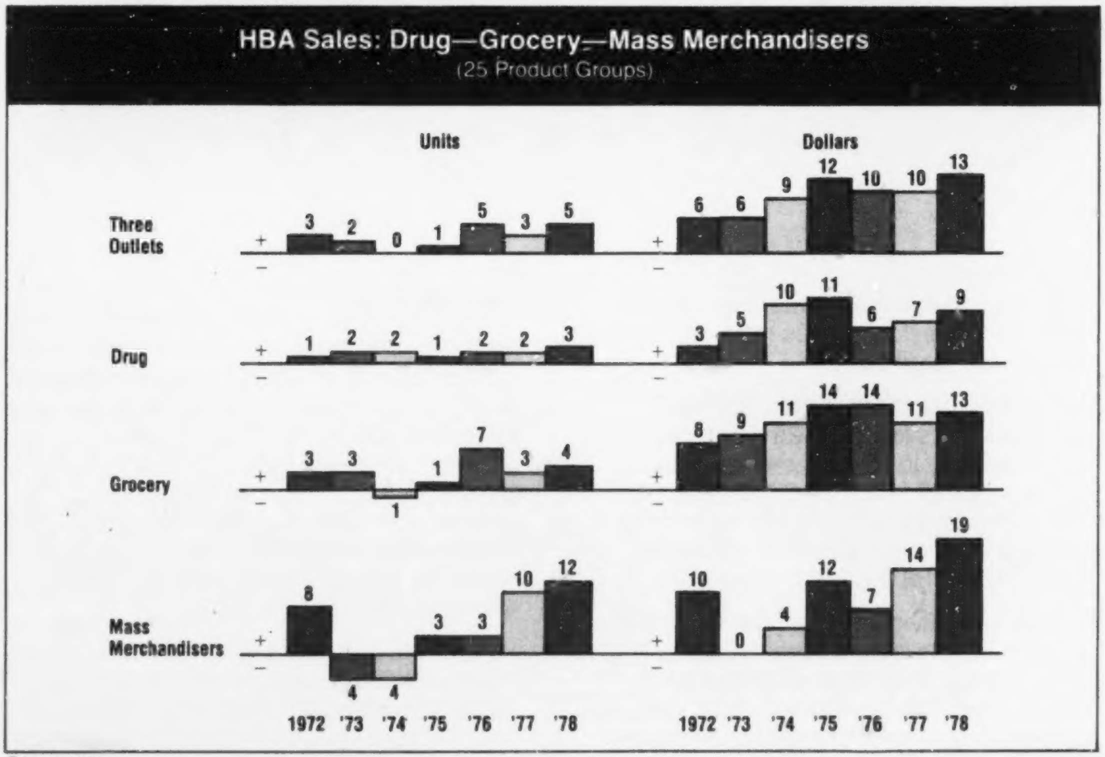
health and beauty aids



Mass Merchandisers Lead Again

Sales gains by mass merchandisers in 1978 topped those of drug and grocery chains for the second year in a row. Measured in units, the 12% increase by mass merchandisers was four times as large as that posted by drug stores and three times larger than that of grocery outlets (Chart 38).

Both drug and grocery outlets bettered their gains of last year by a point relative to unit sales and by two points on a dollar basis. The 12-point unit gain and the 19-point



HBA Sales: Drug—Grocery—Mass Merchandisers
(25 Product Groups)

Chart 38

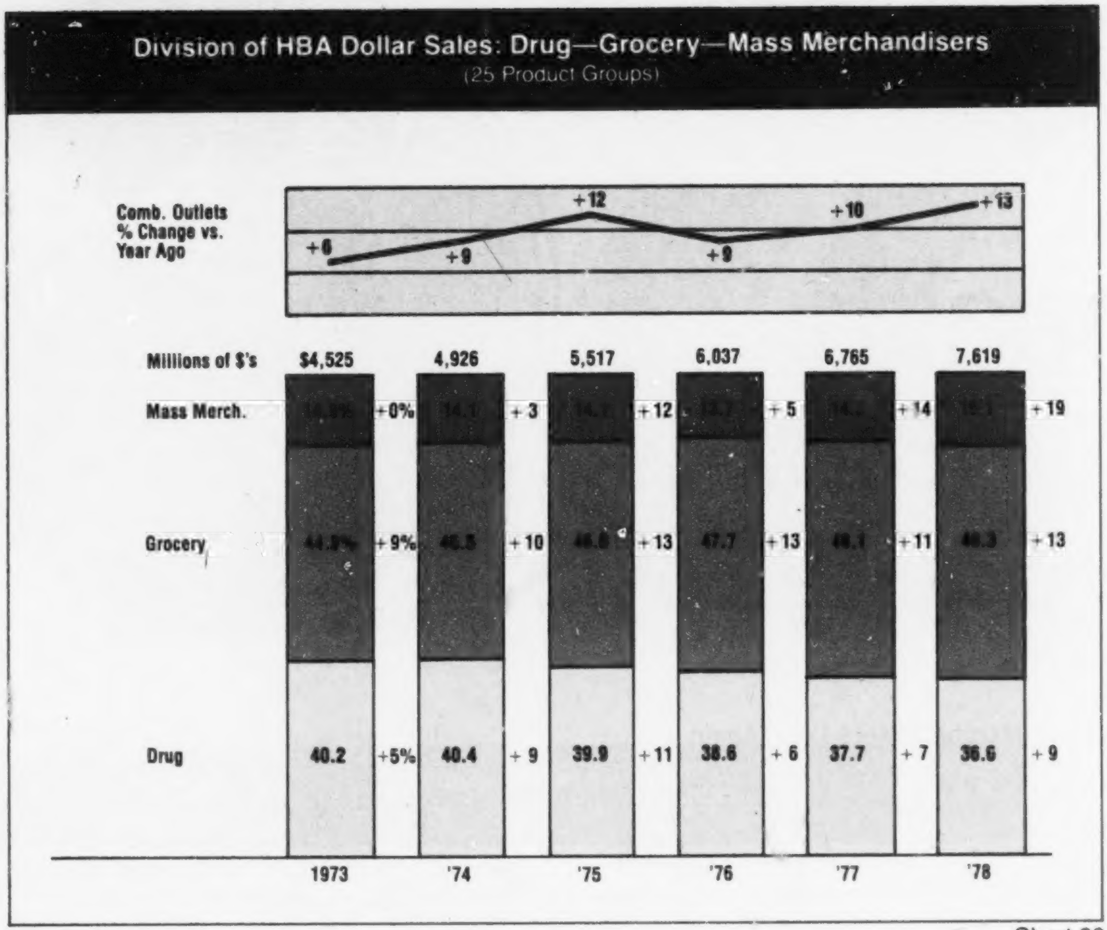


Chart 39

dollar advance by mass merchandisers were the highest increases recorded by any trade class since 1972.

As a result, the share of sales by mass merchandisers for these 25 major categories moved up to 15.1%—close to a point above their 1977 holding (Chart 39). Grocery outlets were up a fraction, and drug stores lost just over a point to a new low since 1973 of 36.6%.

Viewed by individual class, the share losses by drug outlets were for the most part fractional in size. They were widespread, however, with declines noted in 24 product classes. The exception was home permanents, where there was no change from last year (Chart 40).

Retail inventories of HBA items in grocery outlets were up 1% in 1978 (vs. a year ago), the third consecutive year stocks have been increased. Quite the opposite trend is apparent in drug outlets (Chart 41). In fact, it is necessary to go back to 1973 to find an increase in drug store inventories. Mass merchandisers continued to build their inventories with an 8% increase in 1978 on top of an 11% climb in 1977.

For the latest two periods in 1979, however, it appeared that average inventories were being shaved in all three outlets. Mass merchandiser stocks were off 3% in May, following an increase of only 1% in March.

Division of HBA Sales By Outlet Type

(Dollar Basis)

	Drug	Food	Mass Merch.
25 HBA	[illegible]	[illegible]	15.1
Hair Preparations	[illegible]	44.5	17.6
Razor Blades	[illegible]	52.4	17.6
Aerosol Shave Cream	[illegible]	[illegible]	17.8
After-Shave Lotion & Cologne	[illegible]	[illegible]	26.3
Dentifrices	[illegible]	[illegible]	14.3
Oral Antiseptics	[illegible]	[illegible]	17.0
Vitamins	[illegible]	13.4	8.4
Cold Tablets	[illegible]	[illegible]	9.4
Sinus Headache Remedies	[illegible]	[illegible]	8.8
Topical Antiseptics	[illegible]	42.4	12.0
Headache Remedies	[illegible]	[illegible]	10.0
Stomach Remedies	[illegible]	[illegible]	9.0

	Drug	Food	Mass Merch.
Disposable Diapers	[illegible]	[illegible]	11.3
Foot Remedies	[illegible]	[illegible]	10.3
Shampoo	[illegible]	[illegible]	18.8
Deodorants	[illegible]	[illegible]	18.4
Feminine Douches	[illegible]	[illegible]	15.0
Sanitary Protection	[illegible]	[illegible]	11.9
Hand Lotions	[illegible]	[illegible]	17.2
Face Creams	[illegible]	[illegible]	16.3
Hair Coloring	[illegible]	[illegible]	23.2
Hair Fixatives	[illegible]	[illegible]	21.5
Home Permanents	[illegible]	[illegible]	24.[illegible]
After-Shampoo Products	[illegible]	[illegible]	18.7
Bath Additives	[illegible]	[illegible]	16.4

* Based on 12 months ending November-December 1978

Chart 40

Inventories in grocery outlets posted declines of 1% in both periods, and drug stores continued to cut their stocks by an average of 3%.

Chart 42 offers a three-year record of shelf space allocations for 15 HBA product groups by trade class. In 10 of the 15 groups, grocery chains added a foot or two per product class. Only in women's hair spray has there been a cut in the footage allocation. In none of the 15 groups, however, does the space allocated in grocery stores approach that provided in mass merchandisers or drug chains, in spite of their share of importance in many of these product classes.

Retail Inventories—By Outlet Type

(Unit Basis)

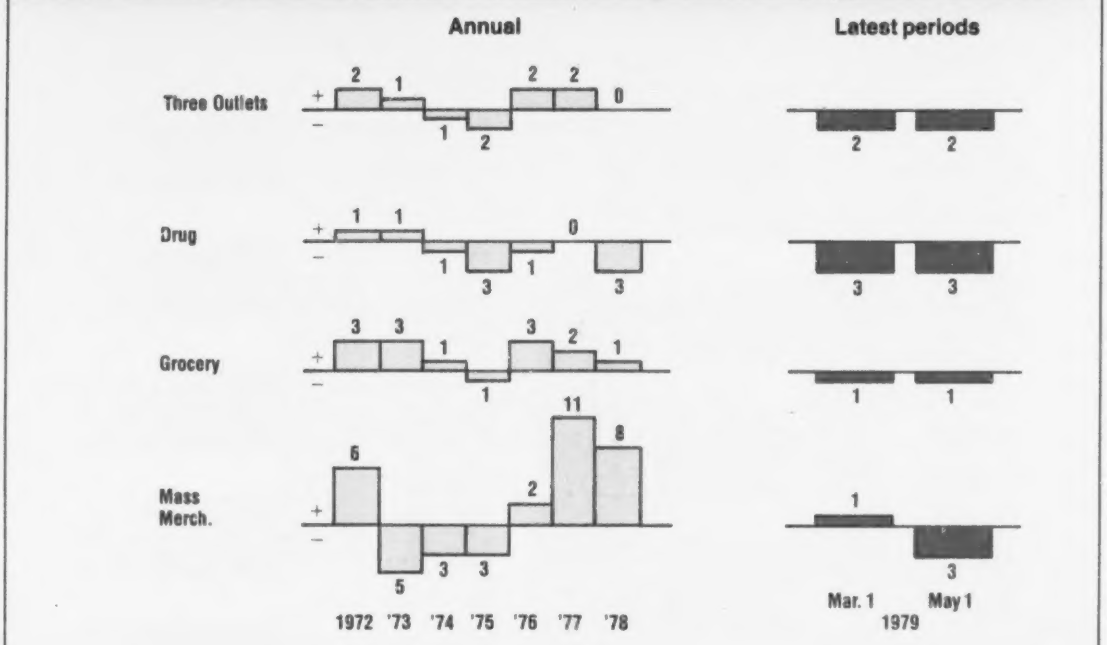


Chart 41

HBA Space Allocations

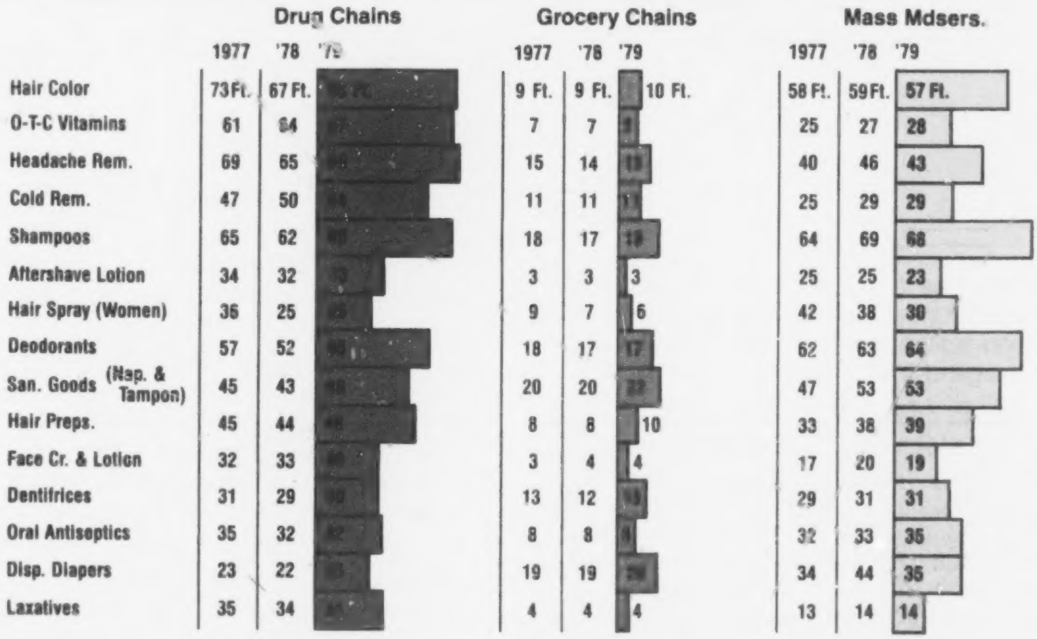
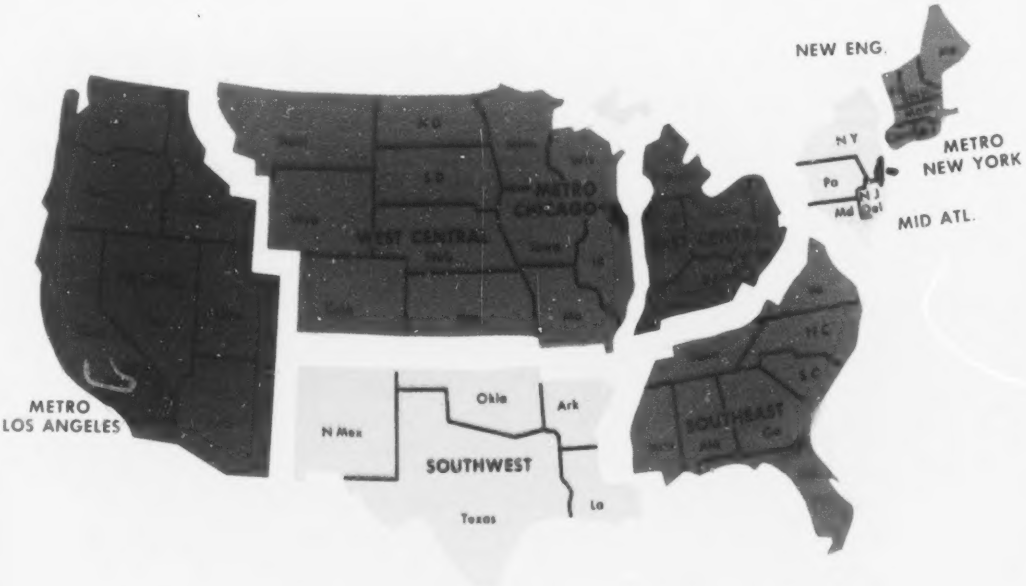


Chart 42

Nielsen Territories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N Y
METRO
NEW YORK
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N D
S D
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METRO
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S C
SOUTHEAST
Ala
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SOUTHWEST
Texas
La
METRO
LOS ANGELES

A Special Note to Cooperating Stores

As most of you know, the original and still primary purpose of the Nielsen Annual Food Review is to provide our cooperators with the latest information available on the state, progress, and trends of the retail grocery industry.

We wish to extend our cooperators a friendly invitation to call or write us in those cases where additional details on subjects herein would be helpful. If the material is available, we will be more than happy to supply you with it.

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International Headquarters
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[illegible]
[illegible]
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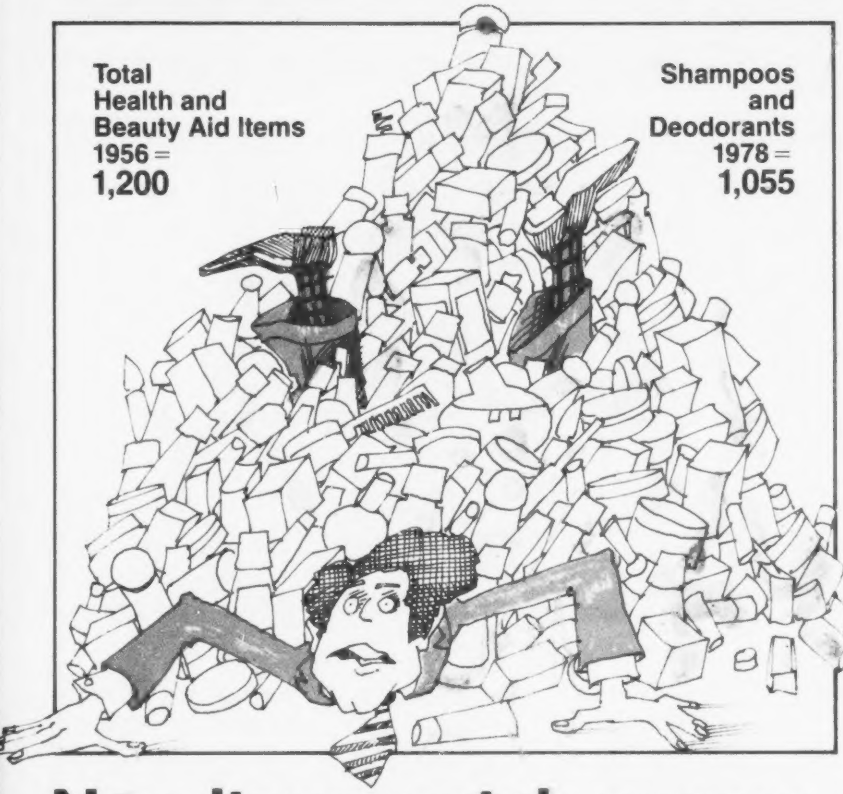


New items catch supers in a shelf squeeze

Inundated with 10 times the number of choices of only two decades ago, chains are being forced to cope

☐ Supermarketers are buried under an avalanche of health and beauty aids. Consider this statistic: In 1956, the total number of H&BA items on the market was 1,200. Today, there are over 1,000 shampoos and deodorants *alone* vying for supermarket shelf space.

It seems the major problem in the 1980's faced by food store H&BA merchandisers will be no different from that of the late 1970's—eking out footage for the ever-growing universe of products. Evaluating new items and movement on old items is an area merchandisers will have to develop into an exact science. It's a challenge supermarketers must meet if they are to become the shopper's one-stop shopping outlet for this high-tonnage category.

Chains slow to recognize the growing importance of H&BA will not be competitive in the 1980's. Towne-Oller Associates, the New York-based research firm, states that at least one of its 40 reporting retail companies does not stock 45 of the top 100 H&BA items. A limited selection like this would not attract the convenience-oriented 1980's consumer.

The industry is trying to make H&BA a manageable department. In the early 1970's, inventory stocked at warehouse grew from 62 items in 1974 to a high of 116 in 1977. In 1978, the number dropped to 111 as supermarket retailers gained sophistication in ridding shelves of stagnant products.

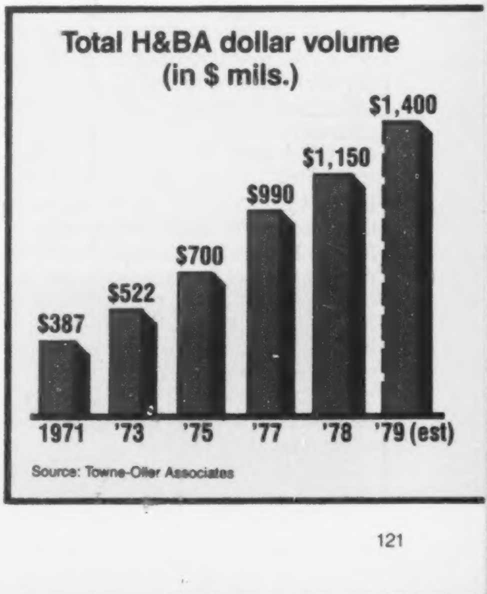
Towne-Oller's sample in 1978 shows a surge in sales—a 16.2% jump ahead of 1977—and forecasts an increase of 22% in 1979. As a matter of fact, H&BA food store sales are accelerating beyond expectations, with an 18% increase scored in the first quarter alone. Unit movement gained 7.7% in the first quarter of 1979 compared to 6% for all of 1978. Both gains in dollars and units represent the largest since the fourth quarter of 1976.

Inflation gap: But inflation has stolen from some of the gains. Towne-Oller statistics show the largest gap between dollar and unit increases since the first quarter of 1976. Towne-Oller president Michael J. Wallace attributes this gap to "inflation, the movement of consumers to larger sizes as well as the purchase of new products that have a higher retail."

Still, these significant hikes in both units and dollars bode well for H&BA's in the 1980's. Says Wallace, "It is important to note with both Gross National Product and personal income showing a declining growth rate during the first quarter of this year that food store H&BA sales increased sharply. This department will probably continue to grow in importance regardless of economic trends."

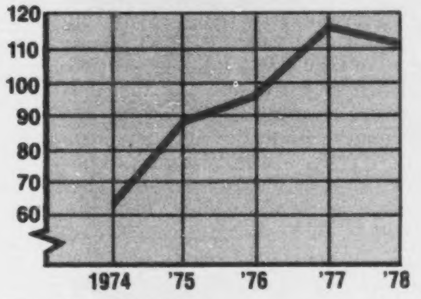
New product high: Product proliferation was the name of the manufacturers' game in the 1970's. This will probably hold true in the 1980's. With the American slant toward "fads," manufacturers will creatively develop products to suit these winds of changing desires—much to the chagrin of retailers.

Further proof of the continuation


Total H&BA dollar volume (in $ mils.)

Source: Towne-Oller Associates

Number of items commonly stocked by all warehouses



Source: Towne-Oller Associates

of proliferation is in the charting of new products joining the top 1,000 H&BA's. Reaching a high in 1975, the number dropped substantially in 1976. But 1977 saw another outburst of new products. And in 1978, the numbers were even higher, approaching the 1975 level.

Excitement generated by new product promotions substantially activate sales in the H&BA segment. In 1973, new items (those less than five years old) contributed 18.3% to the top 1,000 H&BA items dollar volume. In 1978, this percentage was 18.4%.

Federal guidelines? With reports of cancer-causing agents in hair colorings, antihistamines and facial cosmetics, manufacturers are concerned, and rightly so, with the threat of more formalized Government regulation of the industry. The Cosmetic, Toiletry and Fragrance Association is trying to head off a confrontation between industry and Capitol Hill with its public information center and is urging members to test their own products to stay a step ahead of the regulators. But one industry official believes that this may be in vain and that the 1980's hold the promise of formal Federal guidelines requiring registration of formulations and establishing the safety of products before putting them out on supermarket shelves. This will cost manufacturers money and time that could be better spent on new product development, according to this H&BA executive.

The top 10 classes of H&BA changed little this year compared to

Top 10 categories: over 60% of total volume

Rank	Class	12-mo. $ vol. June 1978	% of total	12-mo. $ vol. June 1979	% of total	% change
1.	Shampoos	$ 105,835,656	10.04	$ 120,519,672	9.88	13.87
2.	Analgesics	89,454,519	8.49	109,731,579	9.00	22.67
3.	Dentifrices	90,773,330	8.61	103,602,309	8.50	14.13
4.	Deodorants	87,922,950	8.34	98,255,663	8.06	11.75
5.	Cold medicines	66,631,738	6.32	72,121,301	5.91	8.24
6.	Razor rack	50,841,092	4.82	59,182,526	4.85	16.41
7.	Mouthwashes	38,898,639	3.69	48,214,624	3.95	23.95
8.	Hair condition., rinses	36,067,009	3.42	43,418,534	3.56	20.38
9.	Menstrual tampons	31,580,635	3.00	37,796,951	3.10	19.68
10.	Antacids	32,551,915	3.09	37,415,072	3.07	14.94
11.	Hair sprays	32,140,541	3.05	35,032,693	2.87	9.00
12.	Cold tablets	31,994,918	3.04	34,845,531	2.86	8.91
13.	Baby care products	28,279,703	2.68	33,567,295	2.75	18.70
14.	Face preparations	29,709,095	2.82	33,529,246	2.75	12.86
15.	First aid products	22,195,775	2.11	26,093,312	2.14	17.56
16.	Vitamins and tonics	20,274,675	1.92	23,615,614	1.94	16.48
17.	Denture products	18,576,104	1.76	22,810,666	1.87	22.80
18.	Hand preparations	16,778,394	1.59	22,013,948	1.81	31.20
19.	Hair coloring products	16,424,700	1.56	18,279,987	1.50	11.30
20.	Shave preps-aerosol	14,681,555	1.39	17,343,150	1.42	18.13
21.	Laxatives	13,352,659	1.27	15,833,783	1.30	18.58
22.	Hair preparations-men	11,899,431	1.13	13,425,003	1.10	12.82
23.	Toothbrushes	11,582,604	1.10	13,191,343	1.08	13.89
24.	Disposable lighters	10,202,269	0.97	9,838,107	0.81	3.56
25.	Fem. hygiene products	7,418,318	0.70	9,318,864	0.76	25.62
26.	Sinus analgesics	7,085,332	0.67	8,213,248	0.67	15.92
27.	Suntan products	6,332,163	0.60	8,200,978	0.67	29.51
28.	Shave preparations-after	6,999,065	0.66	7,904,387	0.65	12.93
29.	Foot care products	6,644,447	0.63	7,657,140	0.63	15.24
30.	Disinfectants	6,691,217	0.63	6,824,003	0.56	1.98
31.	Nail care products	5,615,509	0.53	6,700,675	0.55	19.32
32.	Eye makeup products	5,850,892	0.56	6,654,441	0.55	13.73
33.	Eye medications	5,774,688	0.55	6,613,440	0.54	14.52
34.	First aid antiseptics	5,761,425	0.55	6,484,077	0.53	12.54
35.	Ethnic hair preparations	5,147,040	0.49	5,679,182	0.47	10.34
36.	Disposable towelettes	4,232,045	0.40	5,598,451	0.46	32.29
37.	Petroleum jellies	4,493,571	0.43	5,107,319	0.42	13.66
38.	Reducing aids	3,414,592	0.32	5,035,420	0.41	47.47
39.	Miscellaneous	3,750,868	0.36	4,928,406	0.40	31.39
40.	Baby feeding equipment	4,196,722	0.40	4,804,038	0.39	14.47
41.	Bath sundries	4,611,000	0.44	4,756,936	0.39	3.16
42.	Hemorrhoidal preps	3,709,645	0.35	4,374,226	0.36	17.91
43.	Lip medications	3,827,543	0.36	4,340,035	0.36	13.39
44.	Talcum powders	4,049,234	0.38	4,320,961	0.35	6.71
45.	Permanent wave kits	2,425,696	0.23	4,214,571	0.35	73.75
46.	Sleeping aids	3,951,585	0.37	4,170,144	0.34	5.53
47.	Lipsticks	3,589,588	0.34	3,621,658	0.30	0.89
48.	Dental floss & tape	2,307,578	0.22	2,891,747	0.24	25.32
49.	Artificial sweeteners	2,069,707	0.20	2,445,382	0.20	18.15
50.	Toothache, teething remed.	1,754,650	0.17	2,270,523	0.19	29.40
51.	Implements	1,907,551	0.18	2,258,221	0.19	18.38
52.	Stimulants	1,667,258	0.16	2,096,867	0.17	25.77
53.	Wavesetting gels & lotions	1,961,744	0.19	1,945,911	0.16	0.80
54.	Depilatories	1,542,631	0.15	1,844,149	0.15	19.55
55.	Asthmatic remedies	1,467,278	0.14	1,792,359	0.15	22.16
56.	Contact lens preps	1,736,674	0.16	1,784,655	0.15	2.76
57.	Diuretics	1,451,193	0.14	1,559,668	0.13	7.47
58.	Colognes	1,362,495	0.13	1,550,897	0.13	13.83
59.	Face powders	1,385,162	0.13	1,541,641	0.13	11.30
60.	Shave preparations-pre	1,341,863	0.13	1,500,007	0.12	11.79
61.	Feminine deodorants	1,454,419	0.14	1,455,921	0.12	0.10
62.	Mineral oils	1,349,661	0.13	1,321,101	0.11	2.11
63.	Breath fresheners	998,407	0.09	1,312,041	0.11	31.41
64.	Hair dressings-women	1,119,575	0.11	1,191,758	0.10	6.45
65.	Hair relaxers	738,792	0.07	878,528	0.07	18.91
66.	Contraceptives-female	555,726	0.05	873,171	0.07	57.12
67.	Suppositories	523,638	0.05	612,253	0.05	16.92
68.	Shave preps-tubes-cups	506,846	0.05	572,122	0.05	12.88
69.	Ear medications	274,022	0.03	282,235	0.02	3.00
70.	Sanitary belts & pants	359,051	0.03	267,097	0.02	25.60
71.	Gift sets-men	111,035	0.01	108,400	0.01	2.36
72.	Gift sets-women		0.00	821	0.00	0.00
	Total	**$1,054,169,047**		**$1,219,557,986**		**15.69**

Source: Towne-Oller Associates

last year. Shampoos led H&BA dollar volume in supermarkets, followed, in order, by analgesics, dentifrices, deodorants, cold medicines, razor rack, mouthwashes, hair conditioners, tampons and antacids. These 10 (of 72 Towne-Oller H&BA classifications) contribute almost 60% to all H&BA dollars.

Big will be in: Looking toward the 1980's, Towne-Oller figures reflect growing preference by consumers for larger sizes. Consumers are more conscious of price-value relationships, and unit pricing shows that larger sizes give more product per penny.

Chain Store Age's 1979 H&BA analysis focuses on the hottest "growth" categories in the department that can set the profits pace for the superstore of the 1980's. ☐

The source

This year's *Chain Store Age* health and beauty aids analysis is based on the latest 12-month warehouse withdrawals (ending June 30, 1979) provided by Towne-Oller and Associates Inc. in New York City. Statistics generated from the Towne-Oller sample represent one of the most accurate monitors of food store H&BA sales.

Included in the sample is information from companies representing 34,442 outlets across the nation. Towne-Oller panel members are direct buying food chains (44%), toiletry merchandisers (38%) and voluntary co-ops/wholesale grocers (18%) with annual volumes from $3 million to $1 billion. This represents close to 21% of food store H&BA sales.

Because Towne-Oller classifies convenience stores as food stores, the figures may differ slightly from those published in *CSA's* July Sales Manual, which tracks sales only in chain and independent supermarkets with annual volume of $1 million or more. With both the Sales Manual and this issue's study, supermarketers have an across-the-board reference source for H&BA retailing in the 1980's.

Hair care sales keep pace with inflation

☐ The hair care market in 1978 showed an 11.1% increase in H&BA dollar share with hair conditioners and permanent wave kits leading the gains. But in 1979, there are even more dramatic increases and turnarounds in some categories.

At the end of the first quarter of 1979, the hair care market rose an astounding 20.5% compared to the first quarter of 1978. Permanent wave kits are riding a crest of popularity, racking up a 73.75% increase for the 12 months ended June 1979, according to Towne-Oller figures. Every other hair care category showed gains during the same time span. This is how it's shaping up for 1979 and gearing up for the 1980's:

Ethnic hair products: Dipping slightly in 1978, they've shown a sharp turnabout this year. In the first quarter alone, sales in this segment grew 23.9%. For the 12 months ended June 1979, it recorded a 10.34% jump. More and more firms are marketing ethnic hair care products to accompany the demands of this growing market, which represents a new retail opportunity in the 1980's. The success of the category is largely due to new formulations that have led to gentler, yet equally effective products.

Hair coloring products also made an about-face into the winners circle with an 11.3% increase for the year ended in June. The products' sales leveled off last year as the cancer scare gained publicity. But reformulation of products, and consumers' growing awareness of it, has led to a resurgence in sales.

How the hair care market looked in 1978*

(dollar basis)

	% Share	% Change vs. 1977 $ sales
Ethnic hair products	2.3	– 0.8
Hair coloring products	7.3	0.0
Hair conditioners and rinses	17.4	+ 17.9
Women's hair dressings	0.5	+ 2.0
Men's hair dressings	5.5	+ 6.9
Hair sprays	14.6	+ 3.9
Permanent wave kits	1.4	+ 42.3
Shampoos	50.0	+ 13.7
Wavesetting gels and lotions	0.9	– 2.1
Total hair care (% total H&BA's)	19.7	+ 11.1

Source: Towne-Oller Associates

Hair conditioners and rinses is tapped as a leading growth area with a 20.38% gain for 12 months ended June. The momentum for hair conditioners and rinses was created two years ago, and each year the category posts an even bigger gain. This category is the second biggest contributor to hair care dollars and is expected to grow into the 1980's and even the 1990's as new product developments change the texture of this segment.

Women's hair dressings gained 21.5% in the first quarter, although it is a relatively small part of the hair care market. For the year ended June, it showed a 6.45% gain. But the outlook for these products is steady, with modest growth predicted.

Men's hair preparations promises to be a boom category in the 1980's. In the first quarter alone, the segment grew 18.4% compared to 6.9% for all of 1978. At year-end June 1979, it showed a 12.82% increase. Men are becoming more aware of after-shampoo hair care as they learn about the damage caused by blow dryers.

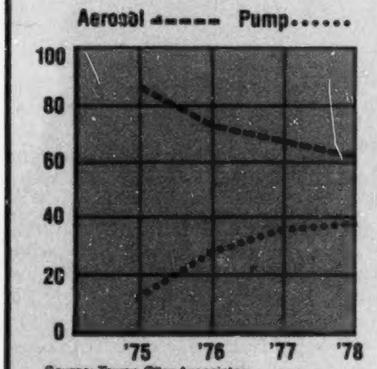
Hair sprays also posted sharp gains—9%—for the 12 months ended June. Towne-Oller statistics show that pumps are steadily picking up popularity. That category now contributes 39% to hair spray sales, compared to only 14.8% in

1975. The total hair spray market is expected to continue growing through the 1980's, although not as dramatically as other hair care segments.

Shampoos, although gaining 18.3% in the first quarter, slipped a bit in contribution to total dollars at the same time. This could be due to the changing price point structure in other areas. But shampoos are indeed the biggest money-making category in the hair care segment.

In the 1970's, shampoo became a cosmetic rather than a mundane personal care product. With scents, conditioners, herbal ingredients and medications, shampoo became a highly personalized reflection of one's personality. But the market is saturated. The once-phenomenal growth rate is slowing down. However, the competitive nature of the segment, with the addition of price hikes, spells increased demand throughout the 1980's for virtually every flavor of shampoo. Since shampoo has become a cosmetic, it is also subject to the fickleness of fad shifts. The fad for the early 1980's appears to call for clear, fresh-scented products reminiscent of "natural" cleanliness.

Aerosol vs. nonaerosol hair sprays
(% dollars)



Source: Towne-Oller Associates

Wavesetting gels and lotions, which checked in at a loss last year, picked up for a 5.9% increase in the first quarter. However, this increase basically reflects a price increase. For the 12 months ended June, it was off 0.8%. ☐

Nonaspirins revolutionize market

☐ Analgesics is the second most important H&BA category in the food store with its $109 million in sales. Until 1975, changes in this market were not revolutionary. But then Americans were introduced to nonaspirin aspirins.

Nonaspirin products may account for as much as 30% of the analgesic market by year-end 1979, up from only 9.9% in 1975.

In other analgesics news, sinus products established themselves as a growth category in 1978 with a 20.1% gain. It looked about 20% better in March 1979 than it did in March 1978, and that trend is expected to gain momentum. For the 12 months ended June, the segment gained 15.92% in sales. ☐

Analgesics trends
(dollar basis)

	% Change			
	'75 vs. '74	'76 vs. '75	'77 vs. '76	'78 vs. '77
Nonaspirin	+71.3	+63.7	+69.0	+50.9
Total category	+ 9.3	+12.5	+12.7	+22.6

Source: Towne-Oller Associates

Mouthwashes brighten oral care sales

SCOPE
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☐ Oral care products continue to be hot, staple items on supermarket H&BA shelves. Dentifrices had a 12% better first quarter this year than last, establishing an upward trend and continuing to contribute the majority of dollars to this category. For the 12 months ended June, it showed a 14.13% gain.

Towne-Oller figures, however, bring to light other products showing substantial growth in 1979 and portending even greater increases in the 1980's.

Breath fresheners are becoming bigger H&BA oral care sellers, with a 31.41% increase for 12 months ended June and a 5.8% first-quarter 1979 jump. Popularity is due to consumers' image-consciousness.

Denture products racked up a 22.8% 12-month increase and a 30.6% first-quarter gain.

Dental floss and tapes were not popular products in the beginning of the 1970's. But new trends in dental technology have made these products an integral part of oral hygiene. Johnson's Dental Floss and related products lead in popularity, particularly the waxed floss. This segment of oral care showed a 25.32% increase for the 12 months ended June and a 30.3% jump for the first quarter of 1979.

Mouthwashes: Coming on strong are mouthwashes. This key oral hygiene and H&BA area is rapidly gaining. For the 12 months ended June, it managed a 23.95% increase, and it continues to gain momentum. For the first quarter of this year, the increase jumped to 26.9%.

This $48.5 million market is seeing new entries for the first time in a while. This excitement is generated by manufacturers battling to become the No. 1 maker of fluoride mouthwashes. Every current mouthwash manufacturer has introduced or plans to market an anticavity mouthwash—a new direction in dental hygiene. Some are even readying fluoride mouthwashes flavored to satisfy children's tastes. ☐

Sticks challenge the aerosols

☐ Aerosol vs. nonaerosol has been the talk of the deodorant market through the late 1970's. As retailers look toward the 1980's, they can bet on nonaerosols to continue to hold a strong position. As a matter of fact, at the end of 1978, nonaerosols grabbed a slightly higher market share than aerosols for the first time ever.

Whether this will continue well into the 1980's depends upon manufacturers' abilities to develop nonfluorocarbon aerosols and assure shoppers they are environmentally safe. If this becomes the case, aerosols can be expected to move back up into the No. 1 slot.

How the deodorant market looked in 1978
(dollar basis)

	% Share	% Change vs. 1977 $ sales
Antiperspirant aerosols	32.3	+ 0.2
Deodorant aerosols	12.3	− 0.4
Powder aerosols	4.5	− 8.1
Aerosol subtotal	49.1	− 0.7
Roll-ons	30.0	+12.3
Sticks	11.7	+19.5
Creams	3.6	+ 1.8
Pump sprays	5.1	−17.1
Pads	0.3	− 4.7
Squeeze sprays	0.2	− 2.4
Nonaerosol subtotal	50.9	+ 9.0
Total deodorants (% total H&BA)	8.0	+ 4.0

Source: Towne-Oller

The big winners in the contest are deodorant sticks. Sales jumped 19.7% in 1978. But in the first quarter of 1979, the category zoomed in sales to gain 51.0%.

Overall, Towne-Oller shows that deodorant dollar volume picked up 4.0% in 1978 and 11.75% for 12 months ended June 1979. Price increases are only partially responsible for the gains in this $24 million market.

- **Pumps plummet:** The big loser in the deodorant market, interestingly enough, is the pump spray. The pump spray was going to be the answer to aerosol woes. Last year, its sales dropped more than 17%, and in the first part of this year it dropped another 32.8%. It is the only segment of the nonaerosol category racking up losses.

Sales of roll-ons picked up momentum in 1979 with a 28% increase in the first quarter.

Although nonaerosols show the big increases, the only type of aerosol deodorant losing sales is powder. Last year, it was off 8.1%. This year it is losing at a slower rate, dropping another 5.2% in sales in the first quarter. However, other aerosols are making modest dollar gains. ☐

Natural vitamins outdraw synthetics

Vitamins & tonics trends
(dollar basis)

	% Change			
	'75 vs. '74	'76 vs. '75	'77 vs. '76	'78 vs. '77
Ethical	+56.9	+51.8	+ 8.0	+30.5
Proprietary	− 2.5	+15.6	+11.6	+11.1
Total vitamins & tonics category	− 1.2	+17.2	+11.4	+12.4

Source: Towne-Oller Associates

☐ Vitamins and tonics are the 16th-ranked H&BA category in the supermarket, according to Towne-Oller research. Consumption increased 12.4% in 1978, to $23.6 million. This year's first quarter is 21.6% better than last year's, with the 12 months ended June showing a 16.48% improvement. Based on this surge, the 1980's look like the decade in which these products will reach their full sales potency.

Interestingly, ethical (prescription) vitamin products have steadily gained in sales for the past five years. These gains outpaced the increased costs of prescriptions. Proprietary (over-the-counter) vitamins, however, compose the lion's share of the market, holding at least 92% of sales. The share of OTC's has been fairly constant over the years, but first-quarter results this year show a rising blip on the market screen. Sales in this segment gained 20.4%.

With approximately one-third of Americans taking nutritional supplements, the future looks healthy for this business. As has been the case for the past two years, consumers prefer natural vitamins and will continue to prefer them into the next decade.

It is interesting to note that while the buying trend continues to natural types, the F.D.A. reports the body cannot differentiate between synthetic and natural vitamins. But the word "natural" seems to be the key word for H&BA in the 1980's. ☐

Stomachs ache for *the* cure

☐ More people are plop, plopping and fizz, fizzing as American stomachs try to cope with inflation, the energy crisis and life in general. Last year, upset stomach remedies showed an overall 11.8% dollar gain, with proprietaries picking up 12.2% on sales and ethicals up 11.1%.

For the first quarter of this year, increases were scored again in the category. Overall, Towne-Oller figures report a 21.1% gain, with ethicals garnering 21.2% and proprietaries 21.1%.

Antacids, the largest category contributor, posted a modest 14.94% gain for the 12 months ended June to make it a $37 million market in the grocery store. Laxatives moved 18.58% better for the same period, bringing it to a $16 million market. ☐

Sun products boost skin care sales

Photo by Harold M. Lambert

☐ Skin care looms as another important growth area. At year-end 1978, based on Towne-Oller product movement figures, the category showed a 17.2% jump in its share of H&BA dollars.

The whole category gained points in 1978. But some categories performed far beyond the call of duty.

Suntan products sales soared 230.0% for the first quarter of 1979 and registered a 29.51% rise in the 12 months ended June 1979.

How the skin care market looked in 1978*

(dollar basis)

	% Share	% Change vs. 1977 $ sales
Ethnic skin products	1.5	+ 5.0
Face creams	19.6	+ 11.1
Face lotions	9.1	+ 21.9
Acne preparations	19.0	+ 18.6
Hand lotions	30.9	+ 18.9
Hand creams	1.2	+ 11.4
Baby lotions	5.4	+ 9.2
Specialty soaps	1.7	+ 20.9
Suntan products	11.6	+ 23.1
Total skin care (% total H&BA)	5.0	+ 17.2

Source: Towne-Oller Associates

The upward motion of suntan products is generated by (1) more supermarkets featuring a suncare line and (2) the currently volatile nature of the market.

Manufacturers are battling to establish "sunscreen" leadership. Introduction of these products in the past two years has heated up the competition front.

Sunscreens account for 29% of the suntan products market; Westwood Pharmaceutical's PreSun dominates with a 20+% share, followed by Johnson & Johnson's Sundown, which hiked its share from 15% to 17% in the past year.

The industry leader is still the Coppertone line. It has a 50% share today thanks to its entry into the sunscreen field. But its basic lotion still accounts for the bulk of sales.

Sea & Ski, which once ran alongside Coppertone for tanning leadership, finds its share slipping. As a result, retailers are dropping facings to accomodate new lines like Piz Buin, Eclipse and Bain de Soleil's Ultra-Block. Hawaiian Tropic is another line achieving success with its sunscreen items.

Most of these products, and all other suntan items next year, feature a numbered guide to the sunscreen strength of the products.

Other skin care hot numbers: Baby oils picked up 19.8% better sales in the first quarter. Hand creams saw an 11.4% hike in 1978 and a 13.0% gain in the first quarter of 1979 alone. Specialty soaps scored a 20.8% gain at the end of 1978 and picked up another 23.6% in the first quarter. Hand lotions, stimulated by the introductions of new flavors of established lines like Vaseline's "Intensive Care," picked up 18.9% in 1978 and scored even higher with a 39.5% increase in the first quarter of this year.

Acne preparations have also been a solid contributor to skin care sales. In 1978, this category turned in a stellar performance with an 18.6% increase. The velocity continued this year with a 35.5% gain scored in the first quarter alone.

Benzoyl peroxide contributes over 30% to this H&BA category's sales as products carrying this effective medication take over the market. The only negative note was reflected in gels sales, which dropped 68.0% between March 1978 and March 1979. ☐

Disposables are here to stay

☐ In a fast moving society where little is permanent, disposable items fit right in. That's why they're one of the most booming categories in H&BA.

For the year ended March 1979, disposable douches posted a 40.3% gain, with a 55.1% first-quarter increase alone. Towelettes scored a 32.29% increase for the 12 months ended June and a 32.1% in the first quarter.

Shaving market: But the most exciting segment of the disposables market is razors. The Bic Shaver and Gillete's Good News have been running neck and neck.

Estimated unit share of the shaving market gives disposables 20%, with 25% projected by the end of this year—phenomenal growth for a category born in 1975.

Estimated market share figures give the Bic Shaver 8% of all shaving units sold, Good News, 8%, Flicker, 2% and others, 2%.

Bic, in the disposable pen business for several generations, understands the attraction disposable products hold for consumers of the 1980's and is trying to make the disposable shaver as necessary as the disposable pen.

Gillette, on the other hand, has a name that's synonymous with shaving. This helped the company establish Good News with a minimum of effort. But Bic is serious about its venture and is advertising to consumers as well as helping retailers create floor displays. Bic is also offering a planogram program to retailers who need help in merchandising front-end pegboards.

With the success of disposable shavers, other manufacturers have plans to jump on the bandwagon. Consumer response to Good News and Bic Shaver proves the importance of packaging and convenience to the 1980's shopper. □

Cosmetics add to food store image

□ Cosmetics have been a boon to any food store with the space to merchandise them in the 1970's. In the 1980's, the category will mature as a food store staple. Part of this maturation will come from manufacturers' creation of full lines for the supermarket. Companies like Maybelline, Hanes (L'Erin) and Miller-Morton (Quencher) have specially designed displays and lines that give food stores a cosmetic-selling image.

Overall, the cosmetics category increased 17.6% in the first quarter of this year compared to the first quarter last year. Among the major contributors to 1979 cosmetic sales are nail care products, with a 19.32% gain for the 12 months ended June.

Eye makeup was right in there with a whopping 25.8% gain in the first quarter and a 13.73% gain for the 12 months ended June. This year, eye makeup accounts for over $6 million in grocery store sales, according to Towne-Oller.

Mascara removers posted a full

VICKS HEALTH CARE DIVISION
Richardson-Merrell Inc.

ANNOUNCEMENT TO RETAILERS

Advertising Allowances Available On:

VICKS® VAPORUB® Decongestant Vaporizing Ointment
VICKS® NYQUIL® Nighttime Colds Medicine
VICKS® DAYCARE® Daytime Colds Medicine
VICKS® SINEX™ Regular Nasal Spray
VICKS® SINEX™ Long-Acting Nasal Spray
VICKS® Cough Syrup
VICKS® FORMULA 44® Effective Strength Cough Mixture
VICKS® FORMULA 44-D® Cough Mixture Decongestant

For performance during the following period:
October 1, 1979 – November 30, 1979

For details, contact your Wholesaler, or write:
VICKS HEALTH CARE DIVISION
Richardson-Merrell Inc.
Ten Westport Road
Wilton, CT 06897

VICKS TOILETRY PRODUCTS DIVISION
Richardson-Merrell Inc.

ANNOUNCEMENT TO RETAILERS

Advertising Allowance Available On:
OIL OF OLAY® Beauty Lotion
OLAY® Vitalizing Cream

For performance during the following period:
September 29, 1979 – November 22, 1979

For details, contact your Wholesaler, or write:
VICKS TOILETRY PRODUCTS DIVISION
Richardson-Merrell Inc.
Ten Westport Road
Wilton, CT 06897

FINANCIAL NEWS

Boomlet ends as prices dip

		PRICE							EARNINGS/SHARE					P/E	FINANCIAL POSITION					
		From 08/17/79-09/10/79								Latest 12 Months vs Preceding 12 Months Change					(Last Fiscal Year) in $Millions			(Last Fiscal Year) Per Share		
					Change		52-Week													
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last Fiscal Year	Amt	Pct	5-Year Annual Growth Rate	Profit Margin	P/E Ratio Today	Revenue	Earnings	Current Ratio	Long Term Debt	Stock Equity	Last Bal Sheet Date
—	—	$	$	$	$	%	$	$	$	$	%	%	%	—	$	$	—	$	$	—
Albertsons Inc	ABS	44.50	42.13	42.50	.13	.29	46.00	31.00	4.76	1.29 S	32.1	28.0	1.6	8.0	2269.0	36.4	1.4	28.0	20	0179
Alterman Fds	ALF	24.50	23.63	24.50	.50	2.08	24.50	12.00	3.04	.93 Q	39.4	30.0	1.0	7.4	436.0	4.2	1.6	16.3	26	0479
Applebm Fd Mkt	APPL	15.75	15.00	15.00	.00	.00	15.00	4.75	1.66	.49 F	41.8	39.0	1.4	9.0	128.0	1.4	1.5	3.7	8	0478
Arden Group Inc	ARDN	5.38	4.75	4.75	-.50	-9.52	5.38	2.00	.07	.09 S	75.0	NE	.2	22.6	448.8	.8	1.2	8.6	7	1278
Bayless Markets	BAYM	12.25	10.00	11.75	1.50	14.63	12.75	8.88	2.19	.62 S	32.8	7.0	1.0	4.7	260.1	2.6	1.7	1.4	20	1278
Big V Supmkt	BIV	10.00	8.88	8.88	-.88	-8.97	10.25	6.06	1.69	.75 S	67.5	38.0	1.4	4.8	295.1	4.2	1.4	5.0	7	1278
Bormans Inc	BRF	6.13	5.38	5.63	-.25	-4.25	9.88	4.75	1.27	.85 S	163.4	16.0	.5	4.1	783.9	3.7	1.2	10.3	11	0179
Brunos Inc	BRNO	14.25	13.63	13.63	-.50	-3.53	15.25	8.25	1.51	.42 F	38.5	35.0	1.7	9.0	309.4	4.6	1.6	4.3	5	0678
Circle K Corp	CKP	21.50	20.25	20.88	-.13	-.59	21.50	13.00	2.12	.68 Q	39.0	26.0	2.4	8.6	438.6	10.7	1.8	11.8	10	0479
Cullum Companies	CULL	20.00	18.50	18.50	-.44	-2.31	20.81	16.44	3.38	.92 F	37.3	85.0	1.2	5.5	639.1	6.6	1.5	17.9	15	0678
Dillon Cos	DLL	23.00	21.00	21.38	-1.63	-7.06	23.84	18.34	1.39	-.33 F	-19.1	12.0	1.9	15.4	1465.3	28.4	1.2	1.2	9	0678
Fisher Foods	FHR	10.13	9.13	9.63	-.13	-1.28	15.50	7.88	1.43	-1.23 S	-121.7	-32.0	.7	NE	1451.7	9.8	1.5	19.9	14	1278
Food Town A	FDTN	26.00	24.25	25.00	-.25	-.99	25.50	9.81	1.12	.50 S	57.4	40.0	3.2	18.2	299.3	9.5	1.4	1.2	4	1278
Foodarama	FSM	7.00	6.25	6.25	-.75	-10.71	8.25	5.88	1.59	-.32 S	-17.2	4.0	.6	4.1	376.1	2.2	1.5	2.6	16	1078
Giant Food A	GFSA	19.25	18.00	18.50	-.50	-2.63	19.25	12.44	3.40	.91 S	32.5	21.0	1.6	5.0	1080.8	17.0	1.5	18.2	20	0279
Grt A & P Tea	GAP	10.25	9.13	9.25	.38	-3.89	10.38	5.00	-2.10	-1.05 Q	205.8	NE	-.7	NE	7469.7	-52.2	1.4	14.0	16	0279
Hannaford Bros	HRD	12.50	12.25	12.25	.00	.00	15.63	12.00	2.78	-.04 S	-1.5	11.0	1.0	4.9	377.5	3.6	1.8	28.4	18	1278
Jewel Co	JWL	26.63	24.13	24.13	-1.88	-7.21	27.00	19.00	3.59	1.37 Q	56.6	8.0	1.2	6.4	3516.4	41.1	1.4	24.1	31	0179
King Kullen Groc	KKUL	18.00	14.50	16.00	-.50	-3.03	17.25	11.00	2.85	.35 S	11.6	9.0	.7	4.8	281.0	2.0	1.5	0	32	0978
Kroger	KR	24.63	23.38	24.50	.50	2.08	25.50	15.56	3.11	1.29 S	53.7	23.0	1.1	6.6	7828.1	84.6	1.4	12.1	20	1278
Lucky Stores	LKS	17.75	16.50	17.25	.50	2.98	17.75	13.63	1.64	.33 S	22.0	16.0	1.7	9.4	4658.4	80.4	1.5	6.4	7	0179
Marsh Supmkts	MARS	5.63	5.13	5.13	-.50	-8.88	7.25	5.00	1.11	-.23 Q	-19.3	24.0	.9	5.3	392.0	3.6	1.4	10.1	7	0379
Meyer Fred	MEYR	30.25	27.13	28.00	.38	1.35	30.72	22.81	3.05	.20 S	7.1	21.0	2.3	9.3	927.1	20.9	1.5	15.9	21	1278
Motts Super	MSM	10.00	9.38	9.38	-.13	-1.31	11.03	6.38	1.95	.60 S	42.8	27.0	1.3	4.7	211.2	2.8	1.6	.3	10	1278
Munford Inc	MFD	10.13	8.75	9.25	-.75	-7.50	14.75	5.25	.17	.76 S	-146.1	-26.0	.3	38.5	260.0	.7	1.4	28.3	11	1278
Natl Conv Str	NCF	12.88	12.13	12.50	.25	2.04	14.25	8.00	1.28	.43 N	41.7	31.0	1.9	8.6	263.7	5.0	1.3	1.7	6	0678
Natl Tea Co	NTY	5.13	4.75	5.00	.25	5.26	5.25	3.63	.73	.11 S	16.9	70.0	.8	6.6	918.6	7.3	1.2	5.8	6	1278
Niag Fron Svc	NFS	26.50	25.50	26.13	.63	2.45	31.25	17.63	3.63	.38 N	10.6	19.0	2.0	6.6	397.9	7.9	1.6	4.5	18	0678
Pneumo Corp	PNC	26.75	24.50	26.50	2.00	8.16	28.63	17.00	2.23	-.07 S	-2.7	4.0	1.1	10.6	627.0	6.6	2.4	17.7	24	1178
Pueblo Intl	PII	5.38	4.25	4.38	-.88	-16.66	6.13	3.50	.88	-.16 Q	-15.3	58.0	1.4	5.0	296.2	4.0	1.3	8.1	7	0179
Safeway Stores	SA	41.25	38.50	39.25	-.38	-.94	44.63	34.38	5.60	1.12 S	25.2	10.0	1.2	7.1	12550.6	146.1	1.2	33.7	36	1278
Seaway Food Town	SEWY	11.00	9.75	10.25	.75	7.89	10.25	8.16	2.05	1.15 N	66.4	22.0	1.2	3.6	285.2	3.3	1.5	12.1	13	0978
Shopwell Inc	SH	5.63	5.25	5.25	-.38	-6.66	7.00	3.13	.46	.26 S	72.2	33.0	.3	8.5	271.6	.7	1.5	12.0	11	1278
Southland Corp	SLC	31.88	29.00	29.13	-2.63	-8.26	32.00	25.00	2.74	.61 S	25.7	19.0	1.9	9.8	3076.5	57.1	1.5	23.4	19	1278
Star Supermkts	STR	13.88	13.38	13.50	-.50	-3.57	14.00	8.69	2.51	1.29 S	75.8	12.0	1.1	4.5	228.3	2.4	1.4	5.2	18	1278
Stop & Shop	SHP	19.88	17.88	18.50	-1.13	-5.73	20.38	14.63	4.00	1.33 Q	46.1	9.0	.9	4.4	1762.1	16.0	1.6	44.6	29	0179
Sunshine-Jr	SJS	8.63	8.00	8.13	-.25	-2.98	8.63	5.38	1.19	.34 S	30.6	7.0	1.7	5.6	93.6	1.6	2.3	0	9	1278
Super Fd Svc	SFS	13.00	12.63	12.63	-.38	-2.88	17.63	12.63	1.97	.37 N	19.7	14.0	.4	5.6	667.6	2.4	1.7	9.9	14	0878
Supermkts Gen	SGL	19.25	17.38	18.50	-.13	-.67	19.25	10.88	1.98	.87 S	58.0	44.0	.9	7.8	2061.9	17.9	1.3	23.5	13	0179
Thorofare Mkts	TMI	4.63	4.25	4.38	.00	.00	5.13	2.38	.34	.10 N	34.4	NE	.2	11.2	200.9	.4	1.9	.4	10	0778
Thriftimart A	TFTA	27.63	24.88	25.00	-1.25	-4.76	27.63	14.50	4.86	1.09 Q	27.4	26.0	1.2	4.9	334.2	3.2	1.8	1.6	41	0378
Victory Markets	VMKT	3.88	3.50	3.50	-.13	-3.44	4.13	2.63	.74	.09 S	14.7	12.0	.5	5.0	228.6	1.1	1.2	8.0	8	1278
Waldbaum Inc	WALD	14.50	12.50	13.50	1.00	8.00	14.31	8.50	2.85	.96 Q	50.7	12.0	.7	4.7	941.5	7.0	1.4	20.0	23	1278
Weingarten J Inc	WEIN	9.63	8.25	8.25	-.75	-8.33	9.63	4.88	-1.63	1.25 N	-90.5	-28.0	-.7	NE	500.3	-3.7	1.5	9.1	12	0678
Weis Markets	WMK	27.25	25.25	27.25	1.75	6.86	27.25	22.38	2.71	.47 S	18.5	17.0	4.7	9.1	518.0	24.6	3.5	0	15	1278
Winn-Dixie A	WIN	32.13	30.00	30.38	-1.88	-5.81	33.75	25.50	3.33	.37 F	12.5	14.0	1.9	9.1	4444.3	84.0	2.1	3.7	17	0678

All information in this table is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered in future editions

*(KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings) Q—First quarter S—Six months F—Fiscal year N—Nine months *—Other than a quarterly multiple resulting from a fiscal year change*

Table prepared by Media General Financial Services, Richmond, Va. 23261

Boardroom analysis

Supermarket stock prices responded to Government pressure on the industry by trending lower, snapping a string of three straight months of rising share prices. The dip may also be something of a market correction, since many issues had been trading at or near 12-month highs.

During the August 17-September 10 period, there were more than twice as many gainers as losers on the list of 46 supermarket stocks monitored for *Chain Store Age* by Media General Financial Services. A total of 30 issues declined, 13 advanced and three marked time.

Conspicuous among the gainers was a trio of well-known regional chains. Successfully bucking the overall trend were A. J. Bayless (+14.63%), Waldbaum (+8.00%) and Weis Markets (+6.86%). Most of the major operations recorded either marginal gains (Albertsons, Kroger, Lucky) or small losses (A&P, Jewel, Safeway).

FINANCIAL NEWS

Chain Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Convenient	Year	5/27	$ 229,644,000	+39	$ 1,523,097	+ 33	0.66
Malone & Hyde	Year	6/30	1,615,838,000	+17	21,267,000	+ 19	1.32
Bruno's	Year	7/7	385,600,000	+25	6,655,000	+ 46	1.73
Bayless	6 mos.	6/16	142,893,000	+25	1,433,000	+ 36	1.00
Fisher	6 mos.	6/16	633,657,000	−14	(6,436,000)	—	—
Scot Lad	6 mos.	6/30	813,300,000	+ 2	5,085,000	+128	0.63
Super Valu	3 mos.	6/16	1,007,249,000	+15	12,146,000	+ 35	1.21
Grand Union	3 mos.	7/21	937,385,000	+79	9,021,000	+170	0.96
Alterman	3 mos.	7/29	100,562,386	+19	1,124,071	+ 45	0.93

Figures in parentheses denote loss

Source: *Chain Store Age*

Sales earnings rise at Alterman Foods

Alterman Foods, the supermarket chain that will shortly be acquired by Delhaize Le Lion, generated sharply higher sales and earnings for the first quarter of its new fiscal year ended July 28, 1979.

Sales increased 18.6% to $120,562,386, while net income rose even faster, up 44.6% to $1,124,071.

Although Alterman and Delhaize are still working on a definitive agreement, officials of the Atlanta, Ga., chain are confident that matters can be concluded within the next few months.

Bayless records strong second quarter

Real tonnage increases translated into higher sales and profits for A. J. Bayless, Phoenix, Ariz.-based supermarket chain.

For the 24 weeks ended June 16, 1979, Bayless showed a 24.1% increase in total sales and a 36.5% jump in net income. First-half sales were $142,893,000, compared to $115,142,000 for the comparable period of the previous fiscal year. Net earnings advanced from $1,050,000 to $1,433,000 over the same interval.

A.J.Bayless
"Your Home Town Grocer"

Bayless opened a new store in Tucson during the second quarter and also put a unit into operation in Yuma to replace one gutted by fire. Start-up on a third supermarket was delayed by inclement weather and it started business shortly after the end of the half.

Store closings place Fisher Foods in red

Establishment of a closed facilities reserve of $8,177,000 translated into a $6.4 million aftertax loss for Fisher Foods for the six-month period ended June 16, 1979. Sales for the first half declined 14% to $633,657,000, reflecting the sell-off of the Bedford Heights, Ohio, chain's stores on the West Coast to Albertsons.

Chairman Carl Fazio reports that second-quarter results were adversely affected by heavy start-up costs and operating losses resulting from the conversion of 12 conventional supermarkets to "no frills" warehouse stores in Ohio following 10 similar conversions during the first quarter.

Food Fair posts big 40-week loss

Red ink continues to flow at Food Fair Inc., which is still in reorganization under Chapter XI. For the 40-week period ended May 5, 1979, the chain incurred a net loss of $117 million on sales of $793 million from continuing operations.

A spokesman for the chain, which has closed its stores in the North and is preparing to relocate its headquarters in Florida, broke down the loss this way:

- $16 million from continuing operations.
- $59 million from closed supermarkets and support facilities.
- $42 million from the discontinued J. M. Fields department store division.

The 40-week loss, which includes certain nonrecurring adjustments and the retroactive capitalization, resulted in a negative net worth of $68 million for the embattled operation.

Convenient notches sixth record year

It was "business as usual" for Convenient Industries of America during the fiscal year ended May 27, 1979, meaning record sales and earnings for the sixth straight year. The Louisville, Ky., operator and franchisor of convenience stores continues to exhibit the dynamic growth it has maintained through most of this decade.

Sales rose 39% to $229,644,000 during the most recent 12-month period. Profit growth lagged only slightly behind this torrid pace, up 33% to $1,523,097.

The company, which operates 316 convenience stores in 14 states, plans major expansion in fiscal 1980. The company has already acquired 25 stores, and plans call for the construction of at least that many new units.

Chain Store Age Supermarkets

E NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

November 1979

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Rising food prices
Who's guilty?

[illegible]

Meat, readying for a comeback
SPECIAL REPORT

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Chain Store Age Supermarkets

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High beef prices, coupled with tight supply, spell a tricky year ahead for the supermarket meat department.

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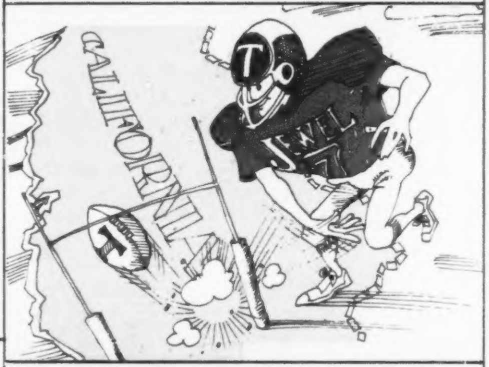

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EXPRESS CHECKOUT

Country Market focuses on fresh

Stop & Shop is billing it as a new venture, and one step inside the First Stop Country Market stamps it as unlike anything seen before.

Located in a former Stop & Shop supermarket in Saugus, Mass., the Country Market offers a unique blend of style and service that captures the flavor of an Old World emporium.

"It's not a supermarket and it's not a gourmet shop," says Spike Gavris, vice president-marketing and sales for the parent company and one of the brainstormers of the new concept. "It's a marketplace where the focus is on fresh food products."

Shoppers choose from a limited but select mix of fresh iced poultry and fish, loosely displayed fruits and vegetables, smoked and fresh meats and cheeses, fresh fruit salad and sandwiches, and frozen foods. While the 23,000-sq.-ft. market (with 12,500 sq. ft. of selling area) matches the size of a medium supermarket, the total number of items is no more than 1,500.

Rather than walk up and down aisles, shoppers "circle" the individual food centers making their selections. The center attraction of the Country Market is a shop featuring fresh ground coffee, nuts, dried fruits, cereals and grains, candies, olives and other "old grocer" services.

Tapes give supers education in security

Security-minded supermarketers can beef up their stores of knowledge with a series of three tape cassettes available from the National Association of Retail Grocers of the United States.

The tapes, which can be bought from the NARGUS headquarters in Washington, D.C., were developed by business security specialist Bob Curtis.

Subjects covered include how to control bad check losses; how to spot the high-risk employee; and who steals and why.

Survey shows spending outlook still a gloomy one

Consumer gloom about spending is likely to continue at least through the end of the year, according to Management Horizons Inc., even though a recent survey shows a slight gain in consumer spending confidence.

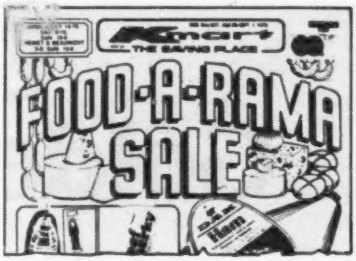
The consulting group surveyed more than 1,000 consumers in September. Although supermarkets and restaurants were not included, the effort is considered a good indicator for retailing in general.

The study shows that 20.5% of those surveyed felt they had more money to spend in September, up from 17.2% in July but still below the comparable figure for September 1978. Fewer shoppers also said they had less money to spend. But Management Horizons says the findings do not include a true lessening of pessimism.

"Management Horizons continues to advise a cautious attitude in sales and merchandise planning for the Christmas season," the group says, adding, "We see no evidence to suggest that the current consumer recessionary tendencies will abate before the end of the year."

K mart enters L.A. food fight

The plot thickens. It isn't enough that supermarkets and drug chains like Sav-On's 135 units in California have been locked in a growing food fight.



Now K mart, the aggressive Michigan-based discount store chain, has gotten into the act. Utilizing a full-page ad approach, much like that of Sav-On, K mart launched its Food-a-rama sale in 45 stores throughout Los Angeles and Orange County in a pre-Labor Day ad break.

In a move alien to most supermarket operators, K mart authorized Master Charge and Visa credit card usage for purchases of the food items carried in the ad.

Latest survey results

All households	% Sept. '79	% July '79	% Sept. '78
Money to spend: compared to a year ago, your family has			
—More money	20.5	17.2	23.8
—About the same	36.5	33.1	33.4
—Less money	42.0	48.2	41.3
—Don't know	1.0	1.6	1.5
Family savings			
—Adequate for present	43.8	38.3	39.6
—Inadequate for present	50.1	55.8	54.0
—Don't know	6.1	5.9	6.4
Time payments			
—% with payments	78.6	76.4	75.4
—% worried about payments	12.5	12.1	10.3
In three months, expect to			
—Increase payments	14.9	11.7	12.9
—Decrease payments	20.4	16.7	14.9

MEAT

SPECIAL REPORT

Is beef readying for a comeback?

The current increase in herd production won't be felt until 1982. But by then altered consumer tastes may create a market glut

☐ Supply problems continue to dominate the current supermarket meat department scene, and 1980 promises little immediate improvement in this situation. Beef prices will still be rising next year, though the rate of increase should be more manageable, and some consumer dollars will undoubtedly be diverted to pork, poultry and meat stretchers like pasta.

The good news is that beef producers appear to have finally sighted the light at the end of the tunnel. Unfortunately, it's still a long way down the track.

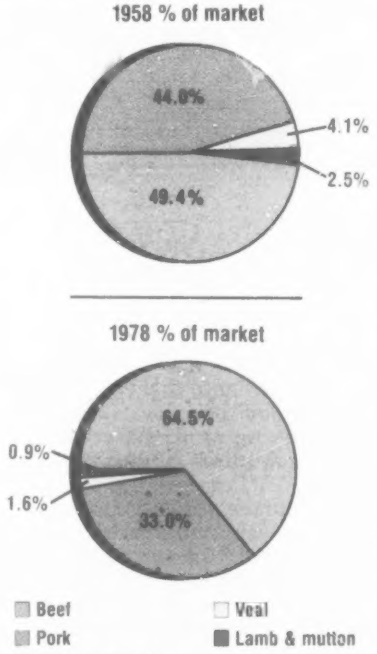
While most observers agree that the cattle cycle has now reached its low ebb, recovery can't come overnight. It takes about 3½ years to put one animal through the entire breeding process, so steak and burger lovers will probably have to wait until 1982 to fully satisfy their cravings at attractive prices.

Total meat consumption actually declined slightly in poundage in 1978, dropping from 41.4 billion lb. to 40.3 billion lb. Due to higher prices, however, total meat sales increased 10.3% to $27.6 billion.

Although final data is not yet available, 1979 has continued the previous year's trend. The sharp decline in beef supply has dropped per capita meat consumption to the 175-lb. level, but meat department dollar sales should increase by 15%. Retailers have generally held the line on meat margins, so supers' gross profit dollars should be 10% higher for the year.

The hot question remains: What will consumers do in 1980? A recent study by the National Cattlemen's Association reveals that roughly 75% of shoppers find beef prices "out of line," but a new round of meat boycotts is most unlikely. People are more anxious to find ways of coping with the situation than in organizing mass protests.

Pork will be plentiful in 1980 and could account for up to 40% of retail meat volume (vs. 33% in 1978). "We've only been a beef society for 40 years," notes Bob Hamilton of Dubuque Beef Packers, Denison, Iowa, "and now we may be headed back to pork."



Consumption trends
Retail meat share of market

Source: *Chain Store Age*

In the backroom: Many supermarket operators are mounting a major effort to streamline and modernize their meat-handling procedures. In most cases this means a shift to boxed beef programs.

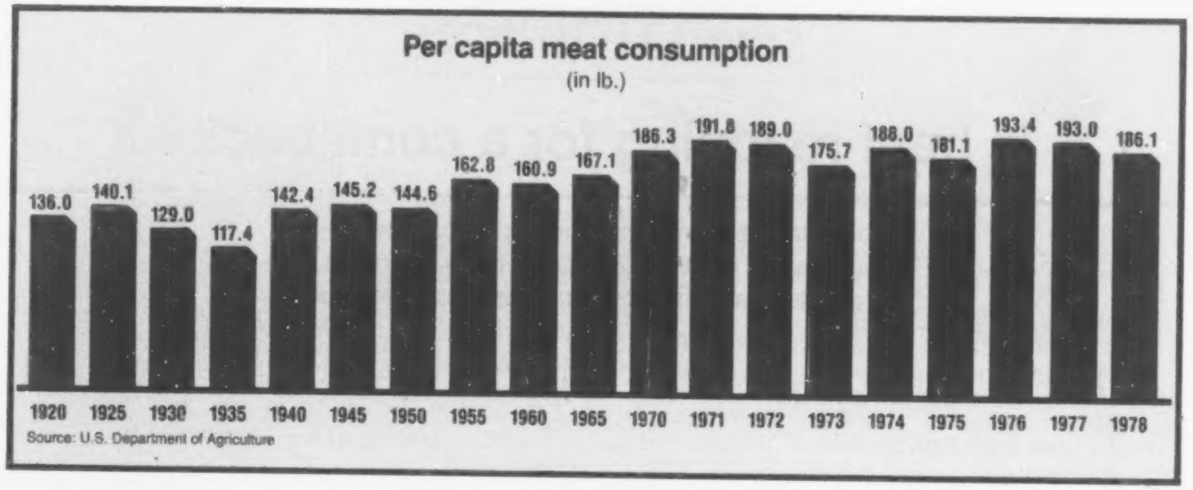
In the decade since its introduction, boxed beef has swept the industry despite static from the unions and a few other skeptics. The lure of lower, controlled labor costs and elimination of waste has proven irresistible to supermarketers, however.

A study by the Food Marketing Institute reveals that 60% of all supermarket operations utilize boxed beef, with the figure projected to climb to 79% by 1982. Independent retailers, who had been shut out of boxed beef during the mid-1970's, are climbing on the bandwagon as more cooperatives and voluntaries make the switch.

Boxed beef is most popular in the West and Northeast, while only 38% of Midwest supers receive meat in this form. Restrictive union contracts in cities like Chicago, St. Louis and Kansas City are the main reason, but the meatcutters appear ready to relax some of their objections.

Centralized meat cutting is also finding favor, especially on the West Coast. Greater efficiency in product utilization, uniformity of cuts and reduced labor costs are the main reasons chains like Ralphs and Vons have moved in this direction.

Outlook: Prices are certain to increase for most meats in 1980. Even though poultry and pork will be


Per capita meat consumption
(in lb.)

Source: U.S. Department of Agriculture

abundant, the steady increase in beef retails will have an inflationary effect on the entire department.

Some trading down by consumers is inevitable, despite the fact that it's cheaper cuts that have experienced the largest percentage price jumps. Consumers will be restive, but not activist, though there will be pressure on supermarket companies to shave meat margins despite the fact that they are somewhat on the thin side.

In general, 1980 should be a solid year for the meat department, with prospects for better times improving in the second half. ☐

Meat price trends

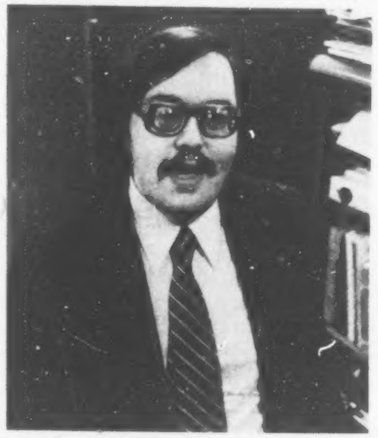
(1967 = 100.0)

	1974	1975	1976	1977	1978
All items	147.7	161.2	170.5	181.5	195.4
All food	161.7	175.4	180.8	192.2	211.4
Food at home	162.4	175.8	179.5	190.2	210.2
Food away	159.4	174.3	186.1	200.3	218.4
All meats	164.1	177.9	178.2	174.2	206.8
Beef & veal	168.5	170.0	164.5	163.6	201.0
Pork	161.0	196.9	199.5	188.8	213.1
Other meats	159.2	168.5	178.4	177.3	208.8

Source: U.S. Department of Labor

VIEWPOINT

Washington's latest war on cows



☐ Who's to blame for low supply and high prices for beef? There's no pat answer. When things go sour, as they have in the meat business, it's not surprising to find lots of people hunting for the cause—and generally finding an explanation that dumps minimal blame on themselves.

The current situation is too complex for such easy answers. Among factors that have brought on the present crunch are the unsatisfied demand for beef, the need to bolster weak cattle prices and even the intense competition between retailers and fast feeders for domestic ground beef.

Still, in conversations with representatives of all meat industry segments, Government's role in upsetting the natural equilibrium of the marketplace draws the heaviest fire. And critics of the Carter Administration have some potent ammunition:

- Never have wholesale meat prices fluctuated as wildly as in the last 18 months.
- Never has the reduction in the cattle herd been as dramatic.
- Never have cattlemen, after four consecutive losing years, been in more dire economic straits.

"When beef prices were low, everyone thought the law of supply and demand was just great," grumbles J. W. Swan, chairman of the Cow-Calf/Stocker Council of the National Cattlemen's Association. "But then when prices rose, some self-appointed protectors of the public started talking about repealing the law."

Events of the past two years give credence to the assertion that the Government has jeopardized long-range beef supply by tinkering with the normal course of supply and demand. Certainly, we all want the best deal possible for the nation's consumers, but hit-and-miss tinkering is no substitute for educating the public. Only when consumers are made to understand that they can not buy a particular commodity without limit, without driving prices up, will this country be on the road to a sensible meat policy.

—**Arnie Katz**

Selling beef outside

With higher beef prices and lower volume, isn't this a good time for chains with central plants to sell long-supply items to outside sources?

A handful of chains are moving in that direction. Stop & Shop's Blaine Breidenstein calls it a "major growth area for us." Stop & Shop not only packs private label beef for a meat wholesaler (Roger Williams Foods, Cumberland, R.I.), but sells more than 5% of its production to other outside sources. The chain ships chucks to the U.S. Government under contract, as well as rounds to a distributor who supplies small retailers.

Says Breidenstein: "With the high cost of capital investment, it's important that we maximize our production. Yet we are competing with major box beef packers such as Iowa and Missouri, so we've got to be competitive."

Vons, which sells steak meat and ground beef to distributors (who, in turn, sell to restaurants), plans to step up these extracurricular activities. "We've only been operating the central plant for a year," says Hy Stein, vice president, manufacturing, "so we first wanted to make sure the plant was running smoothly."

Vons sets a minimum order at 2,000 lb., and the distributors pick up at the plant in refrigerated trucks. A&P, which sells to distributors and small restaurants in the vicinity of its Salem, Ohio, plant, delivers orders weighing 600 lb. or more.

Most other chains with central plants ship only to their stores, except for trimmings and "rough meat" (flank plates, briskets and shanks), and try to sell surplus cuts through aggressive promotions. Safeway, Ralphs, King "Soopers," Stater Bros., Albertsons and H. E. Butt are typical of supermarketers using this approach.

Chains are less prone to sell to outside sources if they operate stores in both low- and high-income areas because they have fewer problems in balancing inventories.

However, the balancing act isn't that cut and dried. In its Eastern stores, A&P uses more chucks than loins. As a result, the chain buys sufficient carcass

Wendy's
OLD FASHIONED
HAMBURGERS

cattle for its loins and then purchases additional chucks. (Example: The chain needs 10,000 loins and 15,000 chucks. The buyer orders 5,000 cattle, which yields 10,000 loins and 10,000 chucks. The buyer then orders 5,000 additional chucks.)

For chains selling to outside sources, the cardinal rule remains unchanged: Make sure the inside needs have been taken care of before going outside.

Suspected price fixers find themselves on Government hot seat

☐ Rising retail meat prices have been a hot political issue in Washington for the past two years. Despite recent declines in beef and pork prices, don't look for Congress or the Carter Administration to stop beating that drum during the upcoming campaign.

If anything, food chains may find themselves even more vulnerable to charges of meat-market profiteering as the election season approaches.

Logically, this shouldn't be the case. The farm value of choice cattle peaked more than six months ago at well over $70 per hundredweight, and Government agricultural forecasters are predicting that carcass prices will remain steady at about $67 cwt. through 1979.

Price spread controversy: Retail beef prices, meanwhile, have also been drifting lower—but not fast enough to head off Carter Administration charges of profit gouging by supermarketers. At the heart of that controversy: a U.S.D.A. study indicating that the carcass-to-retail price spreads for both beef and pork "were about 10 cents higher per pound than could be justified by cost increases" to food chains during 1979.

Later figures released by Federal agricultural economists show that the farm-to-retail price spread continued to widen through the summer despite wholesale price drops.

Yellow Sheet: For years now, Rep. Neal Smith's (D-Iowa) House Small Business Subcommittee has been investigating charges of a beef price fixing conspiracy among large meat packers and the publishers of the *Yellow Sheet*, the industry's most closely watched wholesale price reporting service.

More recently, Rep. Benjamin Rosenthal (D-N.Y.) joined the anti-*Yellow Sheet* chorus. In calling for a massive new Federal investigation into meat industry pricing practices, Rosenthal's House Government Operations Committee alleges that a group of Midwestern meat packers manipulated *Yellow Sheet* prices artificially lower to spark panic selling by cattlemen.

When food chains took the bait and scheduled deep-cutting beef price promotions, the group allegedly prodded the market sharply higher.

Weather forecast: But while politicians and Federal investigators seach for villains to blame for high beef prices, U.S.D.A. agricultural economists are eying the 1980 outlook with growing apprehension.

As usual, much of the concern centers on the weather. Although cattle prices are expected to remain below their spring peak through the end of this year, the impact of the long-term cattle herd rebuilding process could hit home by early 1980 if grazing conditions improve.

Pork outlook: Moreover, Federal agriculture experts are concerned that the pork outlook could turn cloudy—a development which, in turn, would have a dramatic effect on beef prices.

Hog producers are already jittery over the prospects of a Federal bacon nitrite ban, and Government support for "gasohol" could threaten feed supplies for many producers. Whether hog producers will become worried enough to back out of the market remains to be seen, but their decision could prove to be the key for beef prices during the early 1980's. □

Beef: nowhere to go but up

□ It probably won't give supermarket operators and their customers much solace to learn that the 10-year cattle cycle has finally bottomed out in 1979. Nevertheless, that may well be the best news concerning beef for at least the next 18 months.

The cattle cycle results from the raisers' traditional response to unfavorable marketing conditions: trimming the herd. Record high prices for feed due to weather-reduced crops and strong worldwide demand for grain combined with low cattle prices to touch off the decision to cut back.

Herd size drops: Record losses by cattlemen during the late 1970's actually resulted in one of the most severe drops in cattle population ever experienced in this country. Over the 1975-79 period, herd size contracted 16%—approximately 20.9 million head—from the previous peak. A swing of this magnitude has not been seen since the late 1930's.

The U.S. cattle industry's Jan. 1, 1979 inventory dropped to 110.9 million head from the previous year's 116.2 million head. Projections are for a small increase in 1980, but the cattle population may not fully re-

Beef prices
(Cost per lb.)

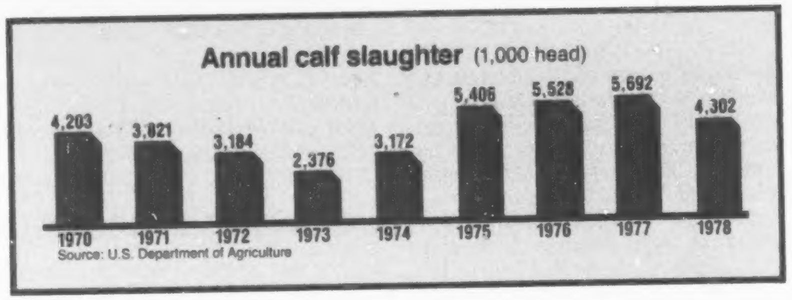
Cut	1973	1974	1975	1976	1977	1978
Porterhouse steak	$1.98	$2.05	$2.37	$2.27	$2.32	$2.87
Round steak	1.60	1.61	1.73	1.63	1.67	1.99
Rib roast	1.61	1.69	1.92	1.85	1.88	2.31
Rump roast	1.66	1.75	1.88	1.76	1.75	2.02
Chuck blade pot roast	0.95	0.93	0.96	0.86	0.84	1.12
Ground beef	0.94	0.93	0.85	0.83	0.81	1.11
Average for choice beef	1.42	1.48	1.61	1.71	1.82	1.95

Source: U.S. Department of Labor

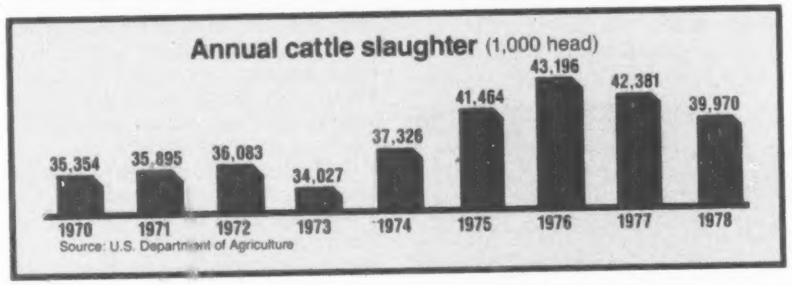
Veal prices
(Cost per lb.)

Cut	1973	1974	1975	1976	1977	1978
Cutlets	$3.14	$3.43	$3.23	$3.03	$3.16	$3.67
Veal, retail cuts	1.82	1.94	1.81	1.73	1.75	2.10

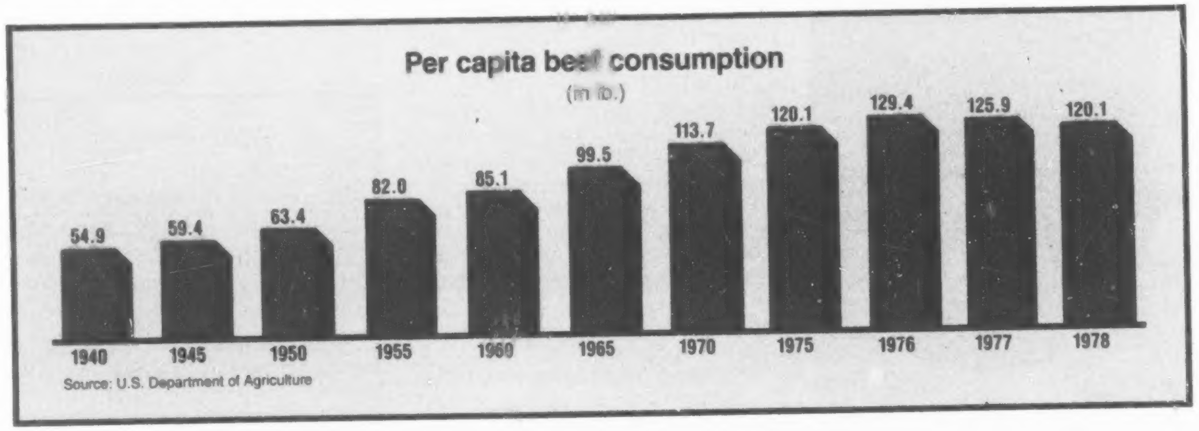
Source: U.S. Department of Labor


Annual calf slaughter (1,000 head)

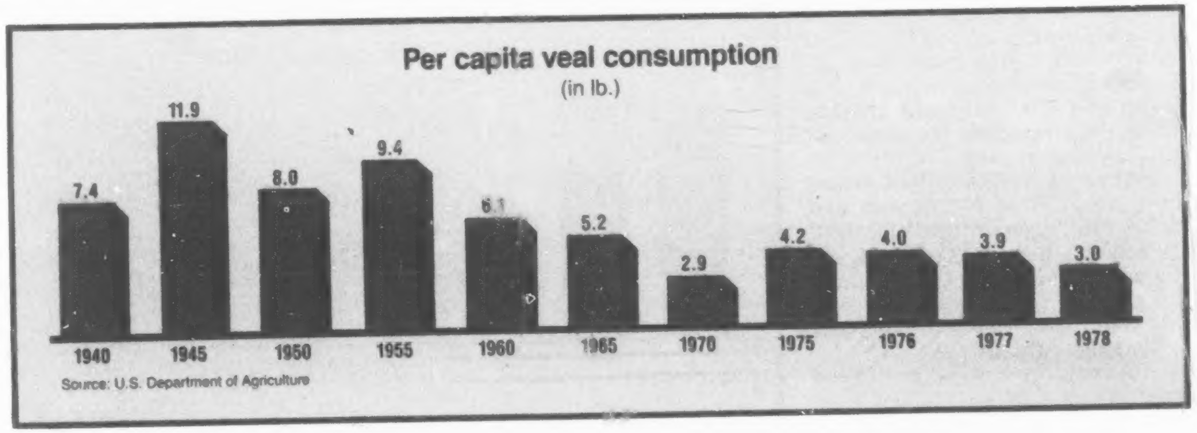
Source: U.S. Department of Agriculture


Annual cattle slaughter (1,000 head)

Source: U.S. Department of Agriculture


Per capita beef consumption
(in lb.)

Source: U.S. Department of Agriculture


Per capita veal consumption
(in lb.)

Source: U.S. Department of Agriculture

cover until sometime in 1982.

Short supply is having the expected effect on consumption. The average American ate 129.3 lb. of beef in 1976, the high point for beef-eating in the United States so far. This fell 3.4 lb. in 1977 and then a whopping 5.5 lb. last year.

We haven't seen anything yet, say most meat experts. Per capita consumption is running nearly 10% lower in 1979, with a projected total of just 109.0 lb. per person for the entire year.

An increasing percentage of available beef is of the grain-fed variety so loved by consumers in this country. With large grain crops anticipated this year, it is likely that so-called "light" beef will account for an ever-dwindling portion of the total market in 1980.

Prices skyrocket: Beef prices have risen 15% in the last year, and further increases are likely for 1980. Rebuilding the herd takes time, and the process will have the parodoxical effect of actually reducing supply for a time before easing the situation eventually.

Hardest hit has been ground beef. Retail price has jumped from 69¢ a pound in 1977 to about $1.49 per pound this quarter. Insiders point to a shortage of cow meat—source for most ground beef—but don't see much chance of a reversal of the current price trend.

Expanded beef supplies are on the way, but it will take subtle and imaginative merchandising at the retail meat case to weather the period until the time of plenty returns. ☐

Pork hogs meat spotlight

☐ No one really expects Americans to suddenly return to the pork-centered diet common during the late 19th and early 20th centuries, but the current trend is the most encouraging in several decades. Faced with somewhat spotty supply and staggeringly high retails for beef, more consumers are substituting plentiful pork products for steaks, roasts and ground round.

Raising hogs makes good sense from the producer's standpoint these days, too. Since hogs turn much faster than cattle, it makes it much easier for raisers to follow the swings in demand. Hogs are also cheaper to finish than cattle, especially in light of current attractive feed prices. Meanwhile, gradual erosion of consumer prejudices against pork has had a long-term positive effect on demand.

Pork producers seemed to hang back a bit in 1978, keeping production at a steady level while awaiting developments in the meat business. As a result, production and consumption during the year remained essentially the same as in 1977.

Swinging into high gear: When the full dimensions of the present beef shortage, with its accompanying high retail prices, became obvious, the pork industry swung into high gear. As a result, total production in the current year is expected to be as much as 15% over 1978, approximately 15.3 billion lb.

At the same time, per capita consumption of pork products has zoomed from 61.6 lb. in 1978 to a probable 70.0 lb. this year. This is by far the highest rate of consumption of pork since the beef shortage year of 1971. The figure represents a little over 38% of estimated total 1979 meat consumption.

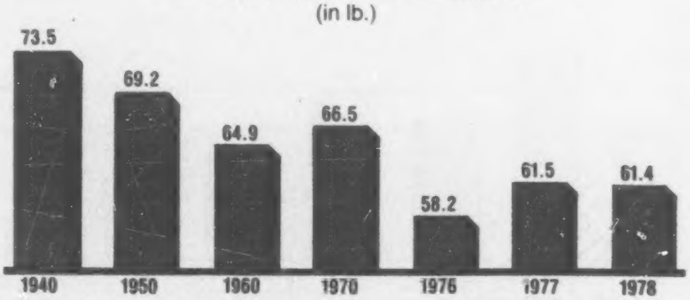
Right now, hog producers are car-

Pork prices
(Cost per lb.)

Cut	1976	1977	1978
Loin chops	$1.88	$1.85	$2.06
Sirloin roast	1.34	1.23	1.44
Sliced bacon	1.52	1.40	1.58
Whole hams	1.19	1.14	1.28
Pork, retail cuts	1.34	1.25	1.44

Source: U.S. Department of Agriculture

Per capita pork consumption
(in lb.)



Source: U.S. Department of Agriculture

rying out plans to build their production that will result in large year-to-year supply increases at least through the first half of 1980. The June 1 inventory of hogs and pigs, 64.9 million lb., was 18% higher than in 1978—and the largest since 1971. A breeding inventory 17% higher than last year's also supports the prediction of greater supply for next year.

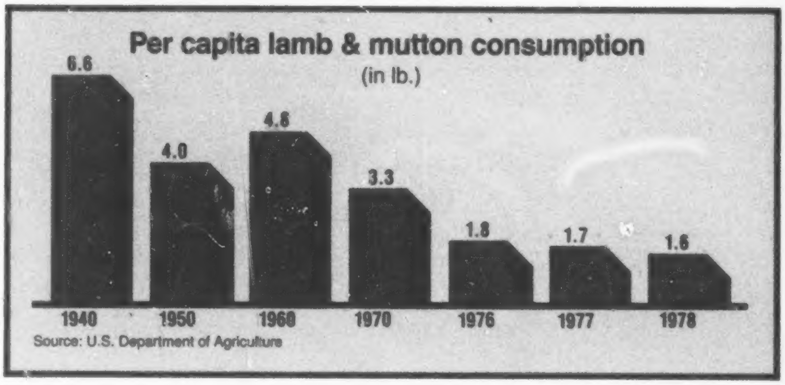
Lower prices: According to U.S.D.A. analyst Joseph Arata, prices for hogs are now about one-third lower than at the beginning of 1979. Coupled with anticipated dumping once the Midwest truck strike is settled, this should spell lower retail prices in 1980. Of course, higher beef retails will have an effect on pork prices, too, as some profit-taking is likely. ☐

Lamb: per capita consumption slides

☐ Retail lamb prices rose 15% in 1978, piercing the $2 barrier for the first time in history. Unfortunately this increase, predicted in last year's *CSA* "Meat Manual," is no evidence of a resurgence of consumer demand. It is more reflective of the generally higher prices now found throughout the supermarket meat department than any sudden new enthusiasm for lamb.

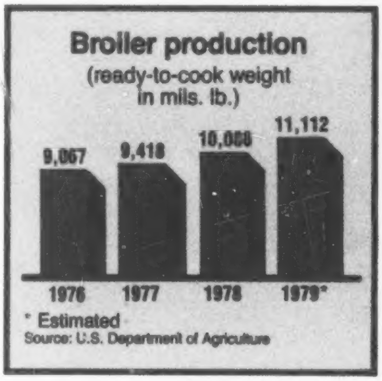
Despite the diligent promotional efforts of the Lamb Council and other, similar groups, per capita lamb consumption in this country continues to head down, down, down. Some chains trading in major Northeastern cities still report relatively steady volume on lamb, but that's probably due to the presence in large numbers of ethnic groups, including Greeks and Jews, that have traditionally savored this type of meat.

Lamb isn't really in a position to benefit much from a switchover from beef. The reason is simple: Lamb still costs appreciably more than either beef or pork. Falling production tends to cancel out the softening demand to keep retails climbing. ☐

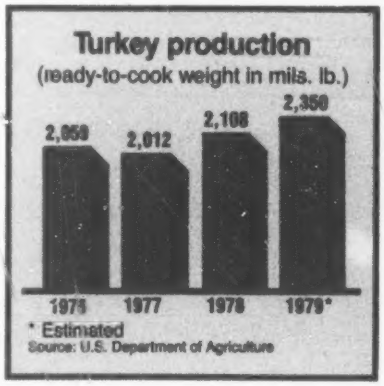


Source: U.S. Department of Agriculture

Poultry: All's fair for fowl



* Estimated
Source: U.S. Department of Agriculture



* Estimated
Source: U.S. Department of Agriculture

☐ When high beef prices begin to crimp the family pocketbook, many Americans turn to poultry to satisfy their protein needs. That's exactly what's happening right now, and fortunately the nation's broiler and turkey producers are proving more than equal to meeting increased demand.

Broiler meat product climbed for the fourth straight year in 1978, up 7% over 1977 and 24% over 1975. Recent reports on eggs going into incubators promise a further 10% poundage gain for the year in progress.

Retail broiler prices did jump 15% last year despite higher production. "The shortage of beef and pork does move our prices up a little as demand increases," concedes Lee Campbell, president of the Poultry & Egg Institute of America. However, it must also be pointed out that broiler prices have actually advanced little since the late 1940's, due to production and processing efficiencies implemented by poultry companies.

Downward trend: Despite persisting strong demand for turkeys, prices have trended downward during second half 1979 in response to an 11% increase in production over 1978. Total 1979 turkey production (ready-to-eat) could well exceed 2.35 billion lb.

Turkey prices have declined through most of 1979, reversing a move to higher retails during the latter half of 1978. At presstime, turkey prices still rode above year-ago levels, but Government seers predicted that retails would be 10%-20% lower than in 1978 this Thanksgiving season. ☐

FINANCIAL NEWS

Stocks mixed in muddy market

		PRICE							EARNINGS/SHARE					P/E	FINANCIAL POSITION					
		From 09/07/79-10/08/79								Latest 12 Months vs Preceding 12 Months Change					(Last Fiscal Year) in $Millions			(Last Fiscal Year) Per Share		
					Change		52-Week													
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last Fiscal Year	Amt	Pct	5 Year Annual Growth Rate	Profit Margin	P/E Ratio Today	Revenue	Earnings	Current Ratio	Long Term Debt	Stock Equity	Last Bal Sheet Date
—	—	$	$	$	$	%	$	$	$	$	%	%	%	—	$	$	—	$	$	—
Albertsons Inc	ABS	45.00	42.38	44.50	2.00	4.70	45.00	31.00	4.76	1.29 S	32.1	28.0	1.6	8.4	2269.0	36.4	1.4	28.0	20	0179
Alterman Fds	ALF	25.50	24.00	25.38	1.25	5.18	25.50	12.00	3.04	93 Q	39.4	30.0	1.0	7.7	436.0	4.2	1.6	16.3	26	0479
Amer Stores	ASCN	34.50	31.00	33.63	2.38	7.60	34.50	23.50	3.14	68 Q	26.4	24.0	2.3	10.3	1089.9	25.0	1.8	8.7	17	1278
Applebm Fd Mkt	APPL	15.75	15.00	15.00	.00	00	15.00	4.75	1.66	49 F	41.8	39.0	1.4	9.0	128.0	1.4	1.5	3.7	8	0478
Arden Group Inc	ARDN	4.88	4.25	4.38	-.38	-7.89	5.38	2.00	07	09 S	75.0	NE	.2	20.8	448.8	.8	1.2	8.6	7	1278
Bayless Markets	BAYM	13.00	11.25	12.00	1.50	14.28	13.00	8.88	2.19	62 S	32.8	7.0	1.0	4.8	260.1	2.6	1.7	1.4	20	1278
Big V Supmkt	[illegible]	9.50	8.88	9.00	13	1.40	10.25	6.06	1.69	75 S	67.5	38.0	1.4	4.8	295.1	4.2	1.4	5.0	7	1278
Bormans Inc	BRF	5.88	5.25	5.25	-.38	-6.66	9.50	4.75	1.27	86 S	163.4	16.0	.5	3.8	783.9	3.7	1.2	10.3	11	0179
Brunos Inc	BRNO	14.00	12.50	13.50	-.25	-1.81	15.25	8.25	1.51	42 F	38.5	35.0	1.7	8.9	309.4	4.6	1.6	4.3	5	0678
Circle K Corp	CKP	22.50	20.50	20.88	.25	1.21	22.50	13.00	2.12	68 Q	39.0	26.0	2.4	8.6	438.6	10.7	1.8	11.8	10	0479
Cullum Companies	CULL	20.75	18.50	20.00	1.50	8.10	20.19	16.44	3.38	92 F	37.3	85.0	1.2	5.9	639.1	6.6	1.5	17.9	15	0678
Dillon Cos	DLL	21.50	18.38	18.38	-3.13	-14.53	23.84	18.34	2.08	36 F	20.9	13.0	1.9	8.8	1792.2	33.6	1.2	5.7	9	0679
Fisher Foods	FHR	11.63	8.38	9.25	-.50	-5.12	15.50	7.88	1.43	-1.23 S	-121.7	-32.0	.7	NE	1451.7	9.8	1.5	19.9	14	1278
Food Town A	FDTN	25.00	23.50	23.50	-1.50	-6.00	25.50	9.81	1.12	50 S	57.4	40.0	3.2	17.2	299.3	9.5	1.4	1.2	4	1278
Foodarama	FSM	6.50	5.88	5.88	-.63	-9.61	7.88	5.88	1.59	-.30 N	-18.1	2.0	.6	4.4	376.1	2.2	1.5	2.6	16	1078
Giant Food A	GFSA	19.75	17.63	18.00	-.25	-1.36	19.75	12.44	3.40	91 S	32.5	21.0	1.6	4.9	1080.8	17.0	1.5	18.2	20	0279
Grt A & P Tea	GAP	9.38	8.25	8.38	-1.00	-10.66	10.38	5.00	-2.10	-.39 S	49.3	NE	-.7	NE	7469.7	-52.2	1.4	14.0	16	0279
Hannaford Bros	HRD	12.25	11.38	11.50	-.75	-6.12	15.63	11.38	2.78	-.04 S	-1.5	11.0	1.0	4.6	377.5	3.6	1.8	28.4	18	1278
Jewel Co	JWL	26.38	23.88	25.63	1.00	4.06	27.00	19.00	3.59	1.44 S	53.7	9.0	1.2	6.2	3516.4	41.1	1.4	24.1	31	0179
King Kullen Groc	KKUL	17.00	15.00	15.00	-1.00	-6.25	17.25	11.00	2.85	35 S	11.6	9.0	.7	4.5	281.0	2.0	1.5	0	32	0978
Kroger	KR	27.00	23.38	24.50	25	1.03	27.00	15.69	3.11	1.29 S	53.7	23.0	1.1	6.6	7828.1	84.6	1.4	12.1	20	1278
Lucky Stores	LKS	17.38	16.50	16.88	-.38	-2.17	17.75	13.63	1.64	33 S	22.0	16.0	1.7	9.2	4658.4	80.4	1.5	6.4	7	0179
Marsh Supmkts	MARS	5.63	5.00	5.13	00	00	7.25	5.00	1.11	-.23 Q	-19.3	24.0	.9	5.3	392.0	3.6	1.4	10.1	7	0379
Meyer Fred	MEYR	34.13	28.00	31.50	3.63	13.00	34.13	22.81	3.05	20 S	7.1	21.0	2.3	10.5	927.1	20.9	1.5	15.9	21	1278
Motts Super	MSM	9.75	9.38	9.75	25	2.63	11.03	6.38	1.95	60 S	42.8	27.0	1.3	4.9	211.2	2.8	1.6	3	10	1278
Munford Inc	MFD	9.38	7.88	8.38	-.75	-8.21	14.75	5.25	17	76 S	-146.1	-26.0	.3	34.9	260.0	7	1.4	28.3	11	1278
Natl Conv Str	NCF	12.75	12.25	12.38	00	00	14.25	8.00	1.50	27 F	21.9	30.0	1.9	8.3	263.7	5.0	1.3	1.7	6	0678
Natl Tea Co	NTY	5.13	4.88	5.00	00	00	5.25	3.63	73	11 S	16.9	70.0	.8	6.6	[illegible]	7.3	1.2	5.8	6	1278
Niag Fron Svc	NFS	28.75	25.88	28.25	2.13	8.13	31.25	17.63	3.63	38 N	10.6	19.0	2.0	7.2	397.9	7.9	1.6	4.5	18	0678
Pneumo Corp	PNC	34.25	25.75	31.63	5.63	21.63	34.25	17.00	2.23	30 N	12.9	4.0	1.1	12.1	627.0	6.6	2.4	17.7	24	1178
Pueblo Intl	PII	4.38	3.75	3.75	-.63	-14.28	5.38	3.50	88	-.05 S	-5.3	60.0	1.4	4.2	296.2	4.0	1.3	8.1	7	0179
Safeway Stores	SA	39.75	36.75	36.75	-2.13	-5.46	44.00	34.38	5.60	93 N	18.6	11.0	1.2	6.2	12550.6	146.1	1.2	33.7	36	1278
Seaway Food Town	SEWY	10.75	10.00	10.00	.00	00	10.25	8.16	2.05	1.15 N	66.4	22.0	1.2	3.5	285.2	3.3	1.5	12.1	13	0978
Shopwell Inc	SH	5.38	5.00	5.13	-.38	-6.81	7.00	3.13	46	26 S	72.2	33.0	.3	8.3	271.6	7	1.5	12.0	11	1278
Southland Corp	SLC	29.88	28.50	29.00	-.13	-.42	32.00	25.00	2.74	61 S	25.7	19.0	1.9	9.7	3076.5	57.1	1.5	23.4	19	1278
Star Supermkts	STR	14.38	13.13	14.38	63	4.54	14.38	8.69	2.51	1.15 N	53.2	14.0	1.1	4.3	228.3	2.4	1.4	5.2	18	1278
Stop & Shop	SHP	18.88	16.63	16.75	-1.63	-8.84	20.38	14.63	4.00	52 S	14.8	9.0	.9	4.2	1762.1	16.0	1.6	44.6	29	0179
Sunshine-Jr	SJS	9.50	8.25	9.38	1.25	15.36	9.50	5.38	1.19	34 S	30.6	7.0	1.7	6.5	93.6	1.6	2.3	0	9	1278
Super Fd Svc	SFS	13.25	12.38	13.13	50	3.96	17.13	12.38	1.97	37 N	19.7	14.0	.4	5.9	667.6	2.4	1.7	9.9	14	0878
Supermkts Gen	SGL	19.75	16.50	16.63	-1.63	-8.90	19.75	10.88	1.98	87 S	58.0	44.0	.9	7.0	2061.9	17.9	1.3	23.5	13	0179
Thorofare Mkts	TMI	4.50	4.00	4.50	00	00	5.13	2.38	34	10 N	34.4	NE	.2	11.5	200.9	4	1.9	4	10	0778
Thriftimart A	TFTA	26.88	24.50	25.88	75	2.98	27.63	14.50	4.86	3.05 S	74.0	26.0	1.2	3.6	368.1	4.5	1.6	1.1	43	0379
Victory Markets	VMKT	3.50	3.00	3.13	-.38	-10.71	4.13	2.63	74	09 S	14.7	12.0	.5	4.5	228.6	1.1	1.2	8.0	8	1278
Waldbaum Inc	WALD	14.25	13.25	13.50	00	00	14.31	8.50	2.85	96 Q	50.7	12.0	.7	4.7	941.5	7.0	1.4	20.0	23	1278
Weingarten J Inc	WEIN	9.38	8.25	8.88	63	7.57	9.63	4.88	62	2.24 F	-138.2	-23.0	.2	14.3	500.3	-3.7	1.5	9.1	12	0678
Weis Markets	WMK	28.50	26.75	28.38	1.25	4.60	28.50	22.38	2.71	47 S	18.5	17.0	4.7	9.5	518.0	24.6	3.5	0	15	1278
Winn-Dixie A	WIN	31.63	30.00	31.38	1.00	3.29	33.75	25.50	3.24	40 F	14.0	13.0	1.9	9.7	4930.5	94.5	2.0	4.0	19	0679

All information in this table is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered in future editions.

*(KEY: NA—Not Applicable NC—Not Calculable Q—First quarter S—Six months *—Other than a quarterly multiple resulting from a fiscal year change*
NE—Negative Earnings) F—Fiscal year N—Nine months

Table prepared by Media General Financial Services, Richmond, Va. 23261

Boardroom analysis

A generally uninspiring round of partial-year financial reports resulted in an equal number of gainers and losers among leading supermarket stocks this month.

Many operators appeared to be having trouble keeping their sales volume growing as fast an inflation. Coupled with mounting Government pressure on all segments of the food distribution system to hold down profits, this had a depressive effect on some issue prices.

During the September 7-October 8 period, 20 stocks rose, 20 fell and seven marked time on the list of 47 supermarket stocks monitored.

Chains showing higher prices included Albertsons (+4.70%), Alterman Foods (+5.18%), American Stores (+7.60%) and A. J. Bayless (+14.28%). A number of the largest food retailers landed on the downside list this time, including Dillion (−14.53%), Safeway (−5.46%), A&P (−10.66%), Stop & Shop (−8.84%).

FINANCIAL NEWS

Black ink for A&P

A&P's decision of last March to weed out another batch of unprofitable supermarkets seems to be having the desired effect on overall performance. The Montvale, N.J., chain's financial report for the first half, ended Aug. 25, shows the nation's third-largest food retailer solidly in the black for the year thus far.

The smaller number of operating units resulted in a sales drop of a little over 9% to $3,344,262,000 from the previous year's total of $3,678,462,000.

It was a completely different story when it came to profits, however. A&P rolled up a net income of $8,532,000, a substantial improvement over last year's first-half loss of $16,802,000.

Safeway still struggling in current fiscal year

Despite its launch of "Price Cutter" promotions, which have kindled bushfire price wars in some markets, Safeway's financial report for the nine-month period ended Sept. 8 shows that the chain is still having trouble building volume.

Total chain volume increased 8.4% during the first three quarters to $9,359,000,000, up from the previous year's sales of $8,633,493,000. Obviously, the gain was somewhat less than the rate of food price inflation over this period. Although officials of the Oakland, Calif., retailer declined to comment on this latest report, previous statements indicate that shoring up volume in the operation's 2,430 units is management's top priority.

PRICE CUTTERS
PRICE CUTTERS
from a store

Safeway's profits rose 8.6% to $106,900,000, but this is a deceptive statistic in that the increases apparently did not result from added revenues from continuing operations.

The chain received a credit of $9,823,000 (38¢ per share) due to a change in tax laws in the United Kingdom. The new rules allow Safeway to retain money previously set aside for payment of taxes.

The company also improved its standing with respect to conversion of foreign customers. It cut its losses to $19,000, vs. a total of $5.5 million for the comparable period of the previous fiscal year.

Thriftimart makes strong first-half showing

Sale of its majority interest in Coca-Cola Bottling Company of Taft, Calif., helped Los Angeles-based Thriftimart score a 92.9% gain in net income for the first half of the chain's current fiscal year, ended Sept. 9.

Net income for the year's initial six-month period was $4,322,000 ($4.73 per share), compared to the profit of $2,241,000 notched in first-half fiscal 1978. Although the 44-store operation would still have notched improved profit, sale of the subsidiary to Coca-Cola Co., Atlanta, Ga., was worth $1.70 per share on the bottom line.

Thriftimart sales rose an inflation-beating 15.3% during the six-month period covered by the report, reaching $191,893,000.

Competition cuts Stop & Shop profit

Stop & Shop net profits are still running slightly ahead of last year as the Boston-based chain heads into the second half, but a sizable second-quarter profit drop bears watching.

For the six-month period ended Sept. 18, the chain logged 8% higher sales, increasing from $872,059,000 to $940,354,000. Over the same 28-week period, Stop & Shop showed a profit gain of 2% to $3,575,000.

The second quarter, considered alone, was far less successful than the first half taken as a whole. Despite the effect of inflation on food prices, the chain's sales increased only 6.7%, while net income fell nearly 30%.

Top management blamed the recession, complicated by the gasoline shortage and unseasonably cool weather in its trading area for the disappointing performance. The uncertain weather, the company claims, especially damaged the apparel business at its Bradlees discount department stores.

Things weren't exactly easy for the Stop & Shop supermarket division, either. Widespread use of double and triple coupons, increased advertising and promotion and the proliferation of extremely successful warehouse-type supers made it tough going.

Chain Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Safeway	9 mos.	9/8	$9,359,000,000	+ 8	$106,900,000	+ 9	1.14
Star	9 mos.	9/8	169,319,784	+ 8	2,147,940	+ 73	1.27
Stop & Shop	6 mos.	8/16	940,354,000	+ 8	3,575,000	+ 2	0.36
A&P	6 mos.	8/25	3,344,262,000	− 9	8,532,000	+151	0.26
Thriftimart	6 mos.	9/9	191,893,000	+15	4,322,000	+ 93	2.25
Wetterau	3 mos.	6/30	294,482,000	+19	2,633,000	+ 12	0.88

Source: *Chain Store Age*

Chain Store Age

Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

December 1979

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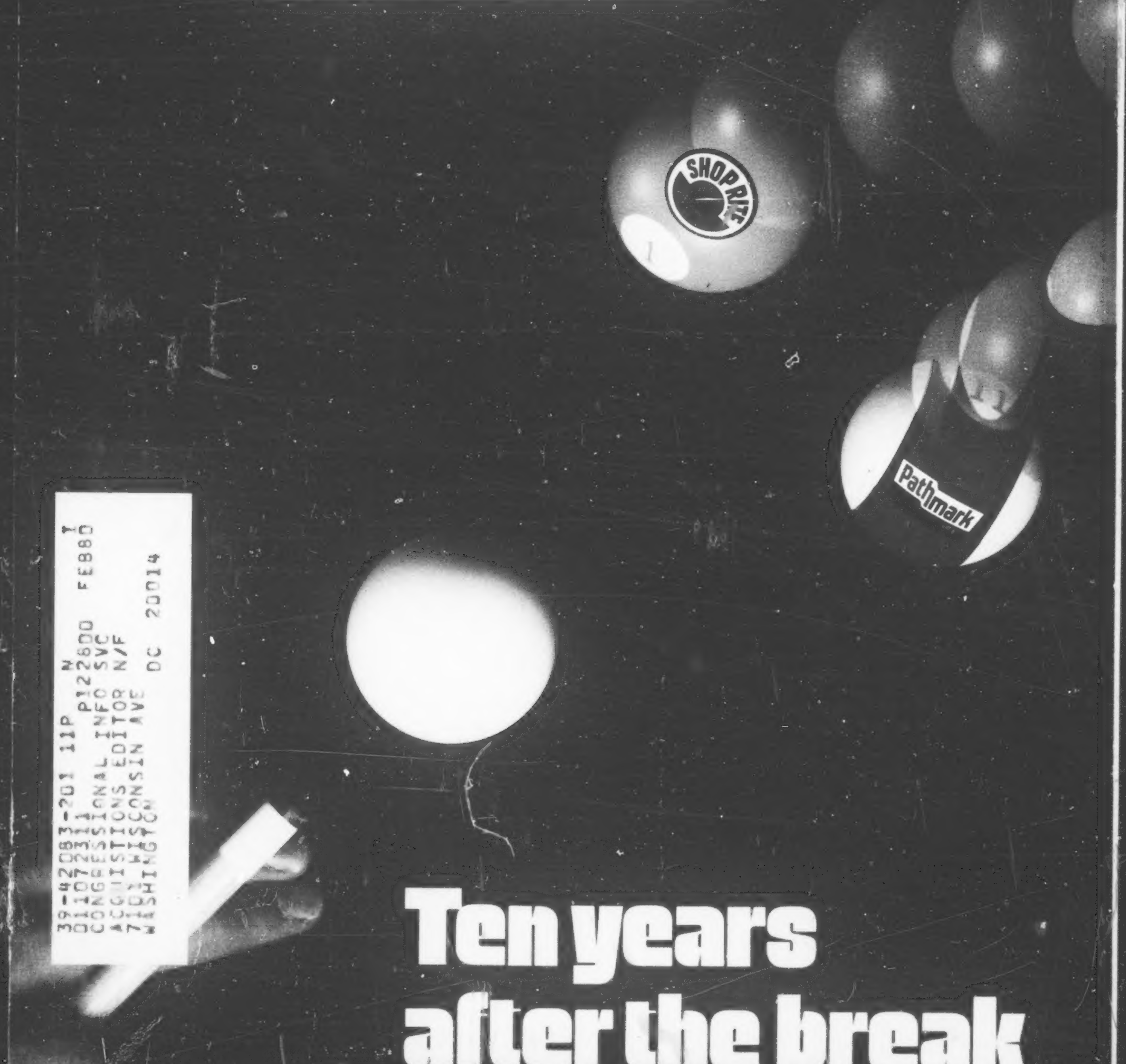

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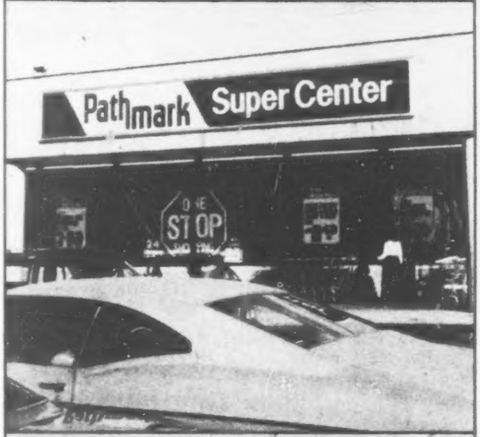
Ten years after the break

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets

27 **Ten years after the break**

Supermarkets General (Pathmark) and Wakefern Foods (ShopRite) have more than just survived their divorce—both have prospered into multimillion-dollar supermarket giants in the 10 years since they agreed to go their separate ways.



The Rite Shop

Pathmark

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FINANCIAL NEWS

Food Fair sets probe of management misdeeds

Chapter XI-mired Food Fair has reacted to a Price Waterhouse & Co. report critical of former management's practices by turning the matter over for study by the audit committee of its board of directors. Four nonmanagement directors will determine what disposition Food Fair should make regarding related parties and shareholders suits against the ousted management team.

"It is in the best interests of the company that basic decisions with respect to all such matters and with respect to litigation be made by directors not associated with the active management of the company, and the audit committee is the appropriate group," explains Grant C. Gentry, the president appointed this year to return Food Fair to profitability.

The audit committee is composed of James J. Needham, former chairman of the New York Stock Exchange; Robert B. Anderson, former U.S. Secretary of the Treasury; Joseph L. Castle, financial and management consultant, and Jewel S. Lafontant, former U.S. Deputy Solicitor General.

Southland records billion-dollar quarter

The financial news is all on the positive side from Southland Corp. headquartered in Dallas, Tex. The company, which operates 7,030 retail outlets including 6,739 7-Eleven convenience stores, scored significantly higher sales and earnings for the nine-month period ended Sept. 30, 1979.

The company also passed a major milestone by recording its first-ever billion-dollar quarter in the third period of its current fiscal year. "We are extremely pleased with our first billion-dollar quarter," exults chairman John P. Thompson. "While 7-Eleven sales have been excellent all year, they were exceptionally strong in the third period, traditionally our best quarter. Southland's head man identified three major reasons for the sales surge:

1. A stepped-up network television schedule.
2. Increased promotional programs.
3. Higher revenues for self-serve gasoline, now available at 2,050 7-Elevens.

Southland scored a 24.4% sales gain for the year's first three quarters. Sales rose from $2,274,674,000 to $2,831,318,000. Net income pretty much kept pace with this increase, improving 23.0% to $54,582,000.

First National profits show slight dip for half

President and chief executive officer Richard J. Bogomolny continues to wax optimistic about the progress of the turnaround at First National Stores despite a slight dip in first-half profits. For the six-month period ended Oct. 13, 1979, the Cleveland, Ohio, chain increased sales by 42.0% to $615,361,000 while net profit dipped 4.9% to $2,466,000.

According to Bogomolny, these results were achieved under some formidable pressures. For the 24 weeks this year, a LIFO provision of $4,154,000 was made, vs. $630,000 for the comparable period of last year. Greatly increased interest and utility costs, coupled with intense competition, also had a negative effect on earnings.

"Despite these challenges, we are greatly encouraged by the September quarter results," notes Bogomolny. "We believe they represent real progress in the continuing turnaround. Warehousing, transportation and administration expenses are lower as a per cent of sales as against last year, and all are below the amount budgeted.

"While the challenges of the current economic environment are great and much remains to be done, we are confident that it will only stimulate us to achieve that much more."

Fleming Co. forecasts solid 1980's growth

Shooting for a 3% tonnage gain, a sales hike of 12% per year and increased earnings of 14% annually, the Fleming Co., Oklahoma City, will continue to see solid and steady growth.

President and chief executive R. D. Harrison told the New York Society of Security Analysts (NYSSA) that the firm plans to reach these goals by expanding the distribution of perishables, enlarging the Houston facility and adding a fourth distribution center—strictly devoted to nonfoods—in Dallas.

The start-up costs of these facilities caused Fleming "to suffer pressure in operating profits," in 1978, Harrison said. But, he noted, with the increased push for productivity and technological advances, the profit picture is "already showing some improvement."

Chain Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Southland	9 mos.	9/30	$2,831,318,000	+24	$54,582,000	+ 23	1.93
Victory	9 mos.	9/30	184,153,000	+ 7	845,000	− 7	0.46
First Nat'l	6 mos.	10/13	615,361,000	+42	2,466,000	− 5	0.40
Grand Union	6 mos.	10/13	1,641,405,000	+60	15,717,000	+ 153	0.96
Bruno's	3 mos.	9/29	97,372,000	+23	1,811,000	+ 42	1.86

Source: *Chain Store Age*

Housewares: hot ones for 1980

Redbook Survey: why GM shoppers choose their stores

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPOR LUNTARIES
January 1980

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COMPLETE JUST ADD WATER LOG CABIN
Ronzoni
SUPERMARKET
Samson's FOOD Warehouse

How hard will warehouse pricing hit?

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets

Special Report: Outlook 1980

In this, the first month of the 1980's, the editors of *Chain Store Age Supermarkets* present a compilation of the most important trends, factors and events that will likely shape the entire supermarket industry over the next 10 years.

35 **Warehouse pricing:** how hard will it hit conventional supers?
38 **Store formats:** new mainstays for the 1980's.
43 **Government:** regulations may ease this year.
47 **Consumers:** shedding 70's radicalism.
50 **Commodities:** abundance is the forecast.
54 **Equipment:** evolution, not revolution, marks new technology.
56 **Advertising:** spending bottoms out as economy bears down.
62 **Human resources:** programs motivate "me" generation employees.
72 **Labor:** how long can it buck the union trend?

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FOOD Warehouse

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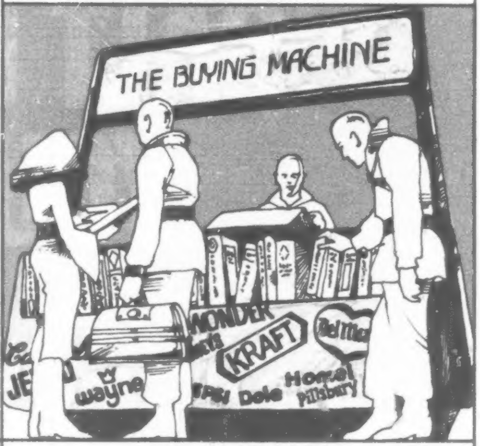

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SURVEY

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Sale every day
Samson's SELLS THE NATIONAL BRANDS YOU KNOW AND TRUST
San Food Warehouse

Opening-day crowds at Samson's rang up some $30,000 in sales.

The central problem remains overstoring. Despite the tide of store closings, which weeded out many small and unprofitable supermarkets around the country, there are still approximately 20% more supers than actually needed.

There are, at present, nearly 40,000 supermarkets in operation. This could shrink to fewer than 35,000 units by 1990, with the reductions coming in two main areas.

First, some chains simply won't survive. Companies like Allied and Food Fair, already riding a thin financial edge, may not be well-insulated enough to emerge unscathed from the economic battering they're likely to take in the 1980's. Second, chains like Kroger, A&P and Acme will continue to concentrate their share of the retail grocery business in an ever-decreasing number of outlets to improve productivity and profitability.

Meanwhile, jockeying for position among food retailers will make competition for this slow-growth market more intense than anything previously experienced by the supermarket industry.

Segmented marketplace: The golden pathway to supermarketing success in the 1980's appears to lie in isolating a specific segment of the consuming public and then catering to it. Every retailer loves the mass appeal inherent in the "all things to all shoppers" philosophy, but this shotgun approach just doesn't face the reality of the segmented marketplace.

For example, the warehouse market concept is popular with price-sensitive shoppers. Yet price isn't

Exclusive *CSA* survey: Industry

Top-level executives of the nation's leading supermarket chains, co-ops and voluntary groups see 1980 as a year when belts are to be hitched up another notch.

In an exclusive *Chain Store Age Supermarkets* survey conducted last November, industry leaders overwhelmingly listed productivity improvement as their No. 1 priority for the coming year. In fact, every one of the 57 respondents ranked productivity as one of their three most pressing management concerns.

Concerns of the 1970's, such as consumerism, product overproliferation and unbridled new store expansion have given way to re-energizing existing stores, re-equipping them cost-efficiently and training people to run them with a tighter rein.

Inflation, legislation, the current exorbitant cost to borrow capital and whether or not labor intends to hold a reasonable "wage" line are seen as other critical factors that will add or detract from the industry's bottom line 12 months from now.

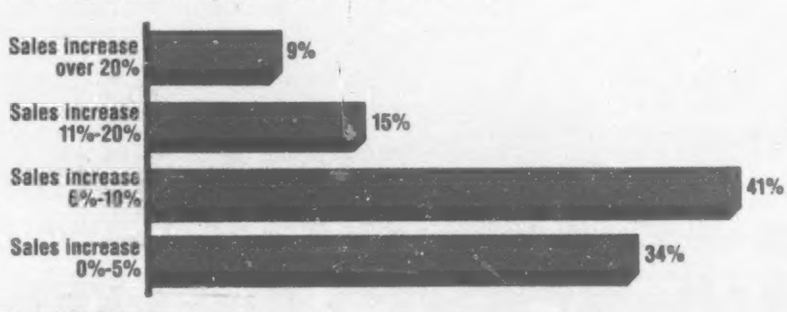
The table in the following column ranks those concerns top supermarketers say will make or break performance in 1980.

In forecasting their own company's expected 1980 performance four of every 10 industry leaders believe sales volume will

Survey Results

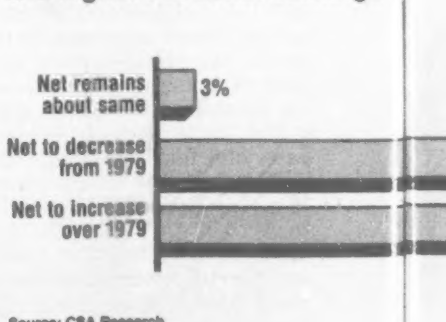
	1st choice %	2nd choice %	3rd choice %
Productivity improvement	41	32	27
Inflation containment	21	13	11
Governmental legislation	12	18	10
Labor contracts	12	19	15
Energy costs/ availability	8	12	13
Cost of borrowed money	3	5	4
Cost of new equipment	1	—	2
All other concerns	2	11	18

Most see sales up 6%-10% over 1979 . . .



Source: CSA Research

and higher net dollar earnings



Source: CSA Research

the top priority for everyone. Another segment of the population prefers the expanded selection and service found in superstores, while a third group wants the ambience offered by food and drug combination units.

Even as one large group of consumers is making the superstore the dominant form of food outlet, another segment is dissatisfied with the trend to bigness. These people are prime targets for operators of both limited assortment and convenience stores.

Obviously, it will take a blend of store formats to satisfy Americans in the 1980's. Significantly, chains like Jewel, Kroger, A&P and American Stores are developing a variety of store types, each aimed at capturing a particular market. Most observers contend that a versatile assortment of store formats is a better prescription for economic health in the 1980's than the "tonnage-tonnage-tonnage" philosophy so successful for the last 20 years.

The year ahead: The new decade poses mammoth problems for most supermarket operators, but the outlook for 1980 holds out some hope for short-range improvement in current conditions.

The best news concerns food prices. Cautiously, some financial trend spotters are predicting a decline in the rate of food price increases. Raymond Daniel of Chase Econometric Associates, for instance, estimates that retail prices will rise "only" 8.8% this year. That rate, which would have sent grocers and their customers into a panic a few years ago; should be a soothing change from the last two years of double-digit food price inflation.

Of course, no one is guaranteeing it, especially in light of the way experts have fared with inflation predictions in 1978 and 1979. Another energy crisis, with or without unexpected shortages of key commodities, would send the country right back to runaway price hikes.

Once again in 1980, renovation of existing facilities will get more emphasis from most supermarket companies than expansion through construction of new stores and distribution centers. The cost of money is still too high for supermarketers to plan a lot of capital construction on borrowed capital.

Therefore, productivity will be the watchword for 1980. Low-cost improvements, such as tighter labor scheduling and fine-tuning the merchandise mix will be just as popular this year as last.

On the following pages *Chain Store Age Supermarkets* presents an in-depth examination of the year and the decade to come. While predictions are always chancy, the *CSA* editorial staff has pooled its resources to examine some of the important trends that will direct the course of the next 10 years of supermarket retailing. ☐

—Arnie Katz

eaders see 1980 as 'tough' year

rise 6% to 10% over 1979 figures. This projection is notably conservative and, if indeed it holds up, supermarketing in 1980 will have taken a step backward from the upward performance gains that marked 1977, 1978 and 1979.

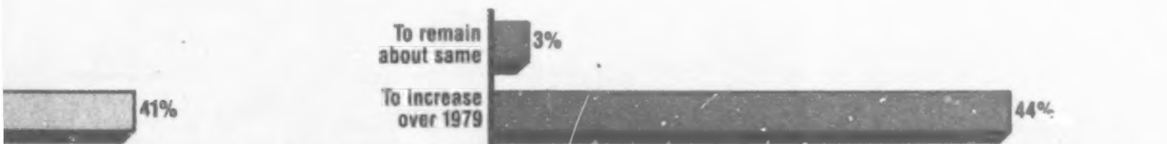
While the number of store "Grand Openings" is expected to run comparable to the number of openings industrywide in 1978 (5,267) and 1979 (5,300), the responding executives point up an interesting twist: Only one of every four stores making their debut will be constructed from the ground up.

Obviously, the cost to construct from scratch—now running over $1.5 million per store—plays heavily in the decision to build or rebuild. It follows, quite naturally, that four of every 10 "Grand Openings" will take place in units that have been expanded or rehabilitated.

Of all the new stores coming on line, eight of 10 are to be classified as superstores. The average size of these jumbo full-line outlets will range close to 31,000 sq. ft. and are designed to produce at least $10 million in sales in the third full year of operation. Virtually all of these new giants will open with scanner-equipped registers or are designed to receive scanning equipment at a later date.

At the other end of the store spectrum, the current trend to discount pricing and "no-frills" limited item merchandising is fostering a new generation of warehouse and box store outlets. Some 14% of all "Grand Openings" scheduled for 1980 will take place in either warehouse stores (average size 25,500 sq. ft.) or little assortment stores (average size 8,200 sq. ft.). While most respondents declined to identify locations or new markets for either warehouse stores or limited assortment stores, much of the step up in plain Jane store formats should take place in the Southeast, Midwest and Middle Atlantic states in the first half of the year.

but a lower net-to-sales ratio



Source: CSA Research

1980 REDBOOK SURVEY

General Merchandise

TRASH BAGS
Freezer Paper

Where and why shoppers choose their stores

1980
REDBOOK
SURVEY

Defining the general merchandise

For the mass retail merchandising sector, the 1980's will be characterized by the blurring of traditional retail lines and an increase in interoutlet competition.

Until a few years ago, there was little concern regarding direct competition among the various stores. Supermarkets, drug stores and discount stores offered a particular range of merchandise with minimal duplication. By the end of the 70's these three mass retailers had moved toward greater similarity of product mix.

This blurring of various retail lines is referred to as "scrambling." While the specific changes vary among store types, the net result has been increasing competition for the same customer. For example:

- Supermarkets are expanding their general merchandise offering (including H&BA) to generate more gross profit dollars and to provide the convenience of one-store shopping.
- Discount stores are emphasizing both health and beauty aids (H&BA) and groceries in an effort to generate customer traffic and confirm price image by heavy discounting of frequently consumed major brands.
- Drug stores are promoting selected grocery items to build customer traffic and are adding more general merchandise (GM) to gain extra sales and profit dollars.

This trend toward scrambling has made it increasingly important for retailers to know more about where and why customers buy various categories of general merchandise. Although the total GM market is expanding, growth is not fast enough to support increased sales in all outlets. Increased sales must come from a shifting competitive balance within the context of changing economic conditions.

The 1980 Redbook General Merchandise Survey was conducted for Charter Publishing Company by the Allen Levis Organization Inc. of Northfield, Ill. Fieldwork was conducted by the Chicago office of National Family Opinion Inc. The findings and conclusions in this survey are based on information collected through a questionnaire sent to over 1,000 households across the country. A total of 923 responses were used to tabulate the results.

Consumer reactions to the cost of gasoline, inflation and economic uncertainties will continue to post major challenges to retailers who are striving for growth.

The objective of the 1980 Redbook General Merchandise Survey is to *determine where and why customers choose specific types of stores for the purchase of selected general merchandise*. Specifically: (1) Which mass merchandising outlets are typically available to customers and (2) What factors determine the customers' store choice for selected GM commodities?

This study is the second half of a two-part study based on a national sample of 923 households. Information for both studies was collected through a questionnaire; the sample was designed to be statistically representative of the United States.

Part I of this study, presented as the 1979 Redbook General Merchandise Survey, categorized respondents by their level of GM expenditures in the supermarket, drug store and discount store. These classifications were based on the consumers' total monthly expenditures for nine GM categories (auto supplies, film and flash, greeting cards, H&BA, hosiery, housewares, magazines, pet supplies and sewing notions). Households were divided by expenditures into three equal groups: high, medium and low.

Overall, high GM purchasers spend eight times more for GM than other consumers *in all outlets*, and 11-13 times more in the supermarket, drug and discount store. Translated into dollar terms, this high spender in all outlets purchases almost $90 worth of these nine general merchandise categories in all outlets each month, compared with expenditures of only $11.55 for the low spender.

In Part II, the 1980 Survey, respondents were asked about their general merchandise purchasing patterns and about those

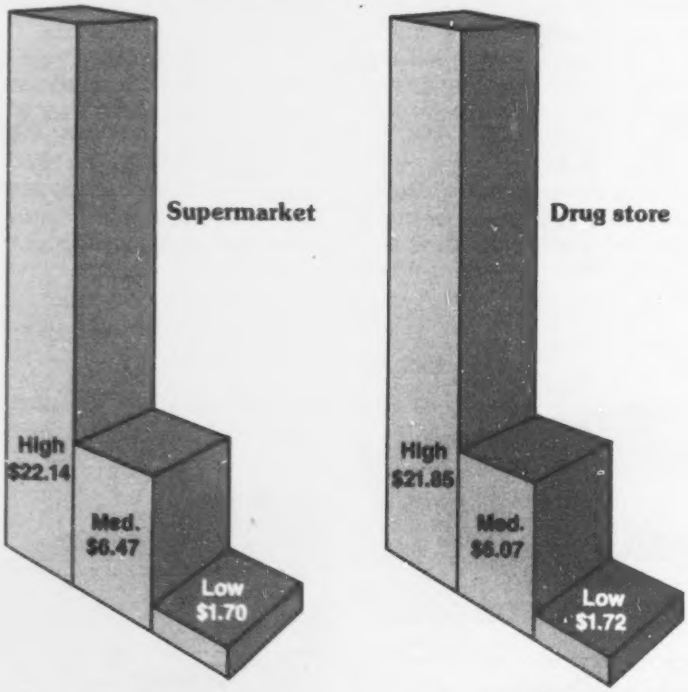
marketplace

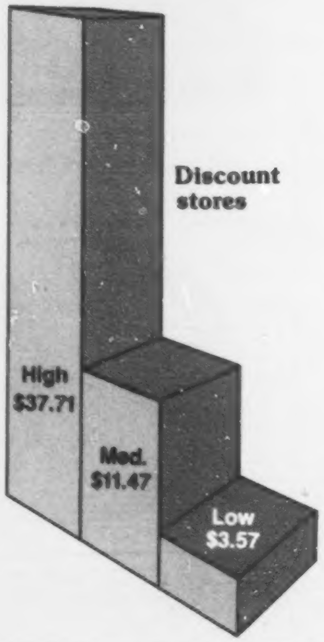
stores near their homes. Collecting this information for each respondent permitted an examination of general merchandise shopping behavior from several unique perspectives.

These conclusions can be drawn:

- The majority of consumers have three outlets available for their GM purchases—the supermarket, drug store and discount store.
- The competition for GM purchase dollars extends beyond traditional marketplace boundaries: Customers travel farther to shop certain outlets perceived to offer specific benefits.
- Consumer perception of convenience, specifically the distance traveled to shop, varies by store type and by level of GM spending.
- Other controllable characteristics that greatly influence outlet choice are price image and wide selection.

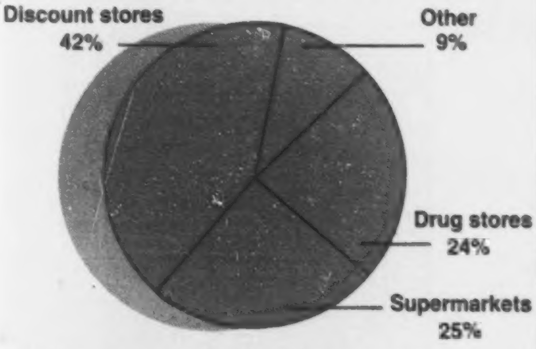
Profile of GM spenders' monthly household expenditures





High general merchandise purchasers spend as much as 13 times more than low spenders do in supermarkets, drug stores and discount stores.

Where the high spender buys GM



High spenders purchase over 90% of auto supplies, film, greeting cards, H&BA, hosiery, housewares, magazines, sewing notions and pet supply needs in supermarkets, discount stores and drug stores.

Distance traveled to type of store

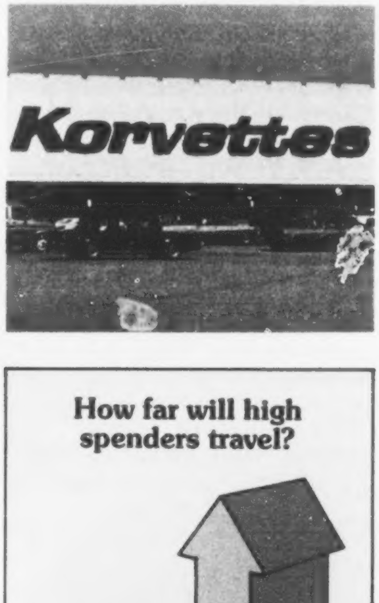
For the majority of consumers who have a supermarket, a drug store and a discount store within a "reasonable" distance from home, the definition of reasonable varies both by store type and by GM expenditure level.

The fact that consumers would travel more than twice as far to shop at a discount store gives an indication of the competitive marketplace for GM purchases.

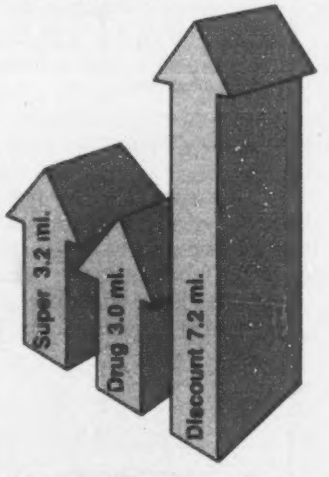
The average distance traveled to all types of stores is significantly greater for high spenders than for low spenders. The distance varies by the type of store. The high spender will travel 5 miles farther to shop for GM at a discount store rather than making a shorter trip to the supermarket for similar GM purchases. This further illustrates the increasing competitiveness within the marketplace.

In each instance, the high spender traveled the farthest. This means that the retailer can expand his trading area to include those high spenders who travel farthest and who spend the most money.

BARTELL DRU



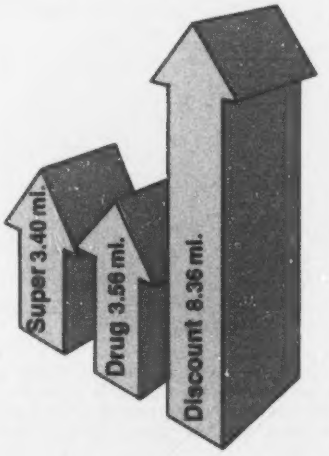
What is a "reasonable" distance?



Base: Respondents considering each outlet a "reasonable" distance from home

When it comes to shopping patterns, supermarkets and drug stores are viewed as pick-up spots for conventional GM items.

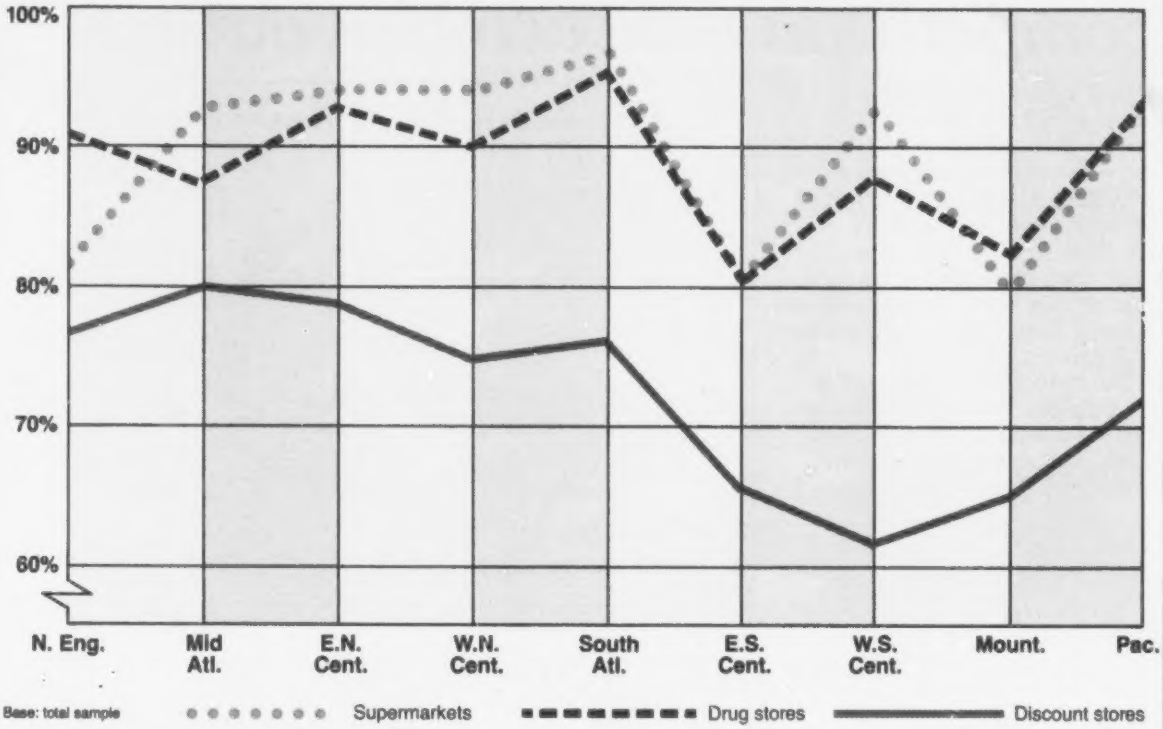
How far will high spenders travel?



Base: Respondents considering each outlet a "reasonable" distance from home

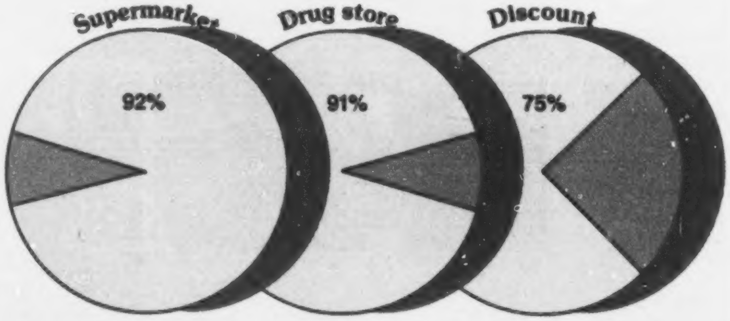
Regardless of store type, high spenders are willing to travel farther to reach them for GM purchases.

Supermarkets are most "convenient" to South Atlantic shoppers



In the East South Central and Mountain States markets, fewer GM shoppers say supers, drug stores and discount stores are within a reasonable distance from home.

Convenient store locations



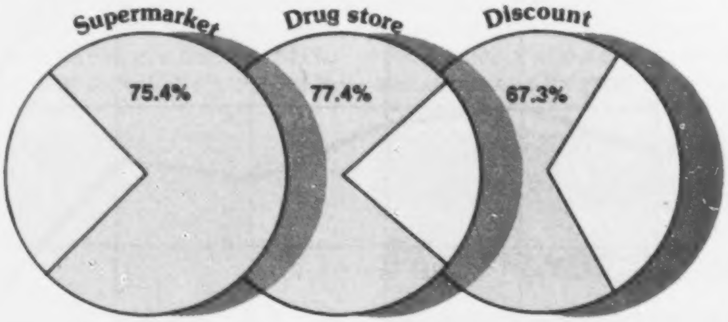
Nine out of 10 general merchandise shoppers have a supermarket and drug store within a "reasonable" distance from home. But only three of four shoppers find a discount store as convenient.

The importance of proximity: competition between like outlets

Most customers who shop one store type for GM patronize the store of that type nearest to their home. In both the supermarket and drug store, three-fourths of the GM customers indicate that they bought most of the nine commodity groups studied at the outlet nearest their home. This proportion dropped slightly among GM buyers in discount stores.

The merchandising strength of the store nearest home is clear for all three outlets studied. Discount store GM customers choose the closer store twice as frequently.

Most shoppers choose store nearest to home



Base: total shoppers in these outlets

Primary reasons for choice of store type for GM purchases

The primary reasons for shopping a particular outlet differ for each store type. For example, convenience to home is the main reason for shopping the nearest drug store for GM, but not for choosing the nearest supermarket or discount store. Understanding why shoppers choose an outlet will help retailers better understand their competition.

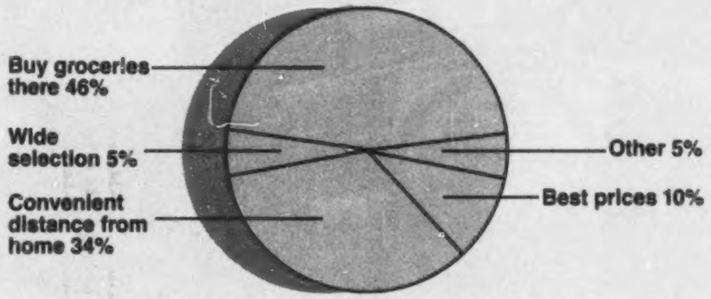
For each of the three outlets studied, we have evaluated the primary reasons given for store choice based upon two marketing situations:

1. Where GM purchases are made in the store nearest to home;
2. Where customers travel beyond the store nearest to home for their GM purchases.

Supermarkets

For those customers who purchase most of their GM in the supermarket closest to home, convenience is the prime motivation: both the convenience of buying GM with groceries and the convenience of having this outlet nearby.

Primary reasons shoppers buy GM at supermarket nearest home—% of total spenders

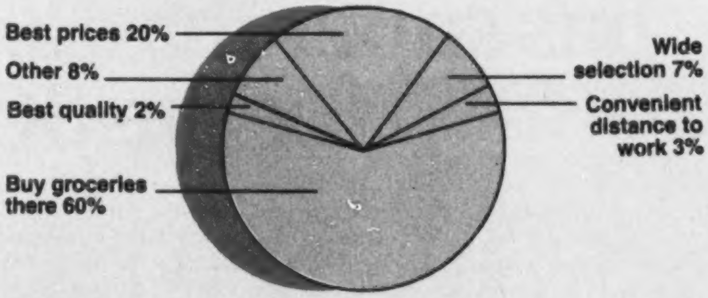


Base: Respondents living within a "reasonable" distance of each outlet studied

It is interesting that the major reasons for store choice do not vary by level of GM expenditures. Selection, however, is much more important to the high spender than to the low spender.

For those customers who purchase most of their GM in a supermarket that is not closest to home, the convenience of buying GM with groceries remains the prime consideration. For this group, however, price is twice as important as for those who shop at the nearest supermarket.

Primary reasons for traveling beyond nearest supermarket for GM—% of total spenders



Base: Respondents living within "reasonable" distance of each outlet studied

Price and quality are more important to high spenders than low spenders in this group.

Convenience to work is a primary motivation for 9% of medium spenders but only 2% of valuable high spenders. The store-work proximity value is discussed further in the Drug Store summary section of this survey.

For all respondents who purchase most of their GM in the supermarket, the overwhelming reason for store choice is the convenience of buying GM along with groceries. Of all the outlets studied, only the supermarket has the basic drawing power of subsistence purchases. Price is an important consideration for high GM spenders who chose other than the closest supermarket. Clearly these valuable customers are very price-sensitive, and they buy both groceries and GM at the outlet they perceive to offer the best value, regardless of its proximity to home or work. Supermarkets should look seriously at drug and discount store competition, noting the strength and appeal of these outlets' GM offerings.

Further information on high/low spenders is available on request.

Drug stores

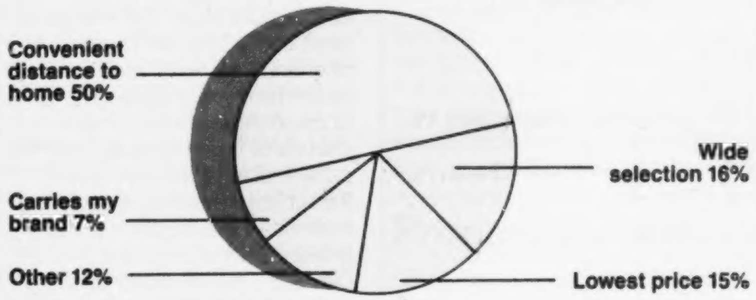
For those customers who purchase most of their GM in the drug store closest to home, convenient location is the primary motivation for store choice. This factor is more important to these drug store shoppers than to their supermarket counterparts. Price and selection are lesser considerations in choosing this outlet.

As in the supermarket, the reasons for store choice are similar for both high and low spenders, with price more important to the high spender.

For those GM customers who shop a drug store that is not closest to home, price and wide selection are primary factors in store choice. The price sensitivity of this group of high spenders is very evident; price is twice as important to high spenders; low spenders put more emphasis on selection, brand choice and quality.

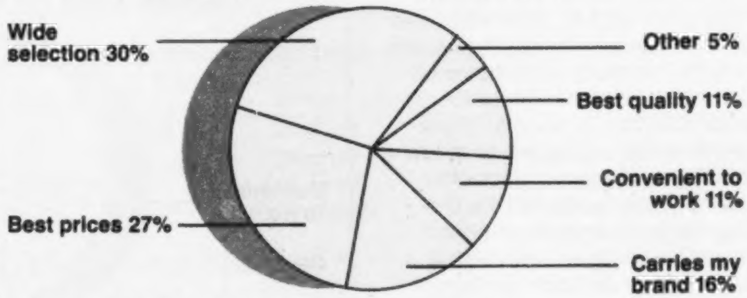
Interestingly, 17% of high GM spenders (compared to only 6% of low spenders) shop a particular drug store because of its convenience to work.

Primary reasons shoppers buy GM at drug store nearest home—% of total spenders



Base: Respondents living within "reasonable" distance of each outlet studied

Primary reasons for traveling beyond nearest drug store for GM—% of total spenders



Base: Respondents living within "reasonable" distance of each outlet studied

Drug store retailers will want to examine their proximity to places of business with an eye to capturing more of these high spenders who are employed nearby.

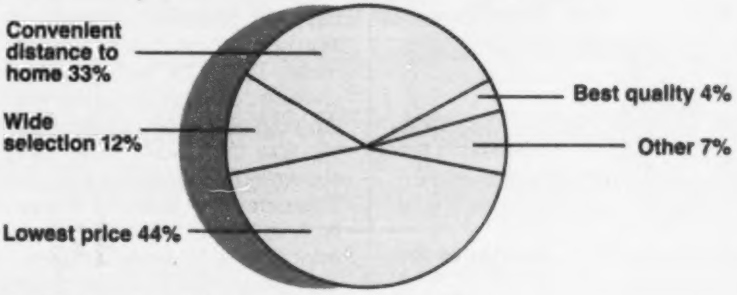
The customer who buys most of his GM at the drug store nearest home gives convenience of location as his major reason for store choice. Those consumers who travel to farther drug outlets do so in search of low prices, wide selections and specific brands. As in the supermarket, a strong price program seems to attract high GM spenders; price is twice as important to these important GM customers who travel to a less convenient drug store. Convenience to work is also an important factor for store choice for heavy spenders who shop some distance from home. The 1979 Redbook Survey showed that high GM spenders in drug outlets tend to be considerably older than their counterparts in supermarkets and discount stores. This older high spender is less likely to be rushing home after work to care for small children. This group may feel freer to shop near work before heading home.

Further information on high/low spenders is available on request.

1980
REDBOOK
SURVEY

Discount stores

Not surprisingly, low price is the primary reason given by nearly half of all respondents for choosing to make GM purchases at a discount store nearest to home. Convenience to home is the second most frequently mentioned reason, but appears to be only half as important as price.

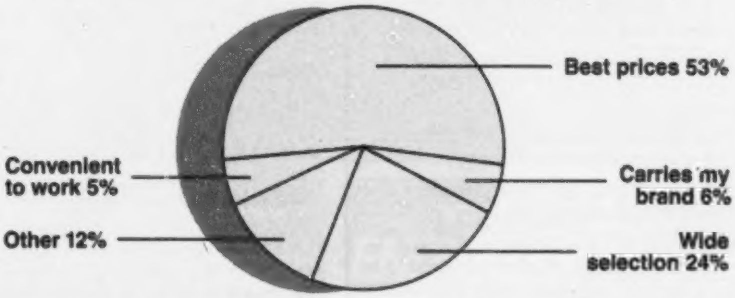


Primary reasons shoppers buy GM at discount store nearest home—% of total spenders

Base: Respondents living within "reasonable" distance of each outlet studied

High spenders in the discount store place slightly more emphasis on low price than low spenders, but only half as much importance on the store's convenient location. Wide selection is twice as important to these customers as to low spenders. These statistics offer several opportunities to the discount store that wants to attract more GM business from high spending households. Price is of tantamount importance to these high spenders whose GM purchases are nine times greater than low spenders.

Those customers who travel beyond the nearest discount store for their GM purchases are again motivated primarily by price; wide selection is more important to these consumers than to those who shop the discount store closest to home.



Primary reasons for traveling beyond nearest discount store for GM—% of total spenders

Base: Respondents living within a "reasonable" distance of each outlet studied

Although high spenders place more emphasis on price than low spenders, the perceived savings offered by a discount store is the greatest influence on store choice for all spenders in this group. Brand is less important to the high spender than to the low; quality is relatively unimportant to all discount store purchasers.

Price clearly looms largest as the primary motivating factor for discount store customers. This perceived benefit is even more important to those purchasers who travel farther to this outlet than to those who choose the discount store closest to home. Wide selection is also a prime consideration for discount store GM shoppers; store size allows discounters to offer an impressive array of selected product groups. Over 30% of discount store customers choose to travel to other than the closest discount store—even though the reasonable distance traveled to this outlet is already greater than to other store types. Obviously these customers are looking for more than convenience in choosing to concentrate their GM purchases in this outlet.

Further information on high/low spenders is available on request.

Summary: reasons for store choice

A competitive re-examination of the reasons for store choice shows that generally the overall perceptions of store type are consistent, regardless of distance. Supermarket shoppers buy GM with their groceries because of the convenience of making both purchases in the same outlet at the same time. The drug store offers wide selection to both groups, though convenience to home is a strong factor in choice. And for the discount store, whether nearest or farthest, perceived price advantage is the main reason for choosing this outlet for GM purchases.

Price: The discount store is perceived to offer the best prices for GM. Price has been and will probably continue into the 1980's to be a motivating factor in store choice for GM purchases. Just as supermarket and drug outlets can choose to offer in-depth assortments of certain GM commodities, these outlets can also make their stores price leaders in these same areas. The combination of competitive pricing and wide assortment are powerful merchandising tools. They work for discount stores; they can work for other retailers who recognize their potency.

Selection: The responses to virtually all the categories of GM covered in this study emphasized the importance of wide selection. Customers generally prefer to patronize an outlet that offers a wide choice within the category for which they are shopping. It is clear from the 1980 research that consumers associate wide assortments of basic GM with the discount store. If supermarkets and drug stores want to be perceived as more than incidental retailers of GM, they too must offer wider assortments of these commodities than they presently stock. Since these outlets face real space constraints, they need to carefully select those GM categories they plan to promote through depth of assortment.

Competitive opportunities: The dominance of the discount store as a supplier for many categories of GM remains unchallenged in most market situations; the discount store is the primary outlet chosen for the purchase of six of the nine GM commodities studied. Supermarket and drug store merchandisers must not underestimate the strength of this competition, even if it is located some distance from their outlet. Most respondents obviously feel that their investment of time and the expense of travel to the discount store is justified by the perceived advantages of low price and wide selection.

High spenders and GM purchases: The value of merchandising to high-spending GM households remains valid particularly in the light of expanded competition within the marketplace. For GM purchases, these high spenders look for depth of assortment; specific brand is relatively unimportant. Competitive pricing is a drawing card, particularly for those high spenders who travel to other than the nearest outlet type. Many high spenders are willing to travel farther to spend more money than their low-spending counterparts.

Primary outlets for nine commodities

Six of the nine GM commodities studied are purchased primarily in discount stores. Two commodities—magazines and pet supplies—are purchased primarily in the supermarket, and one—H&BA—is purchased primarily in the drug store.* The drug store was also a prime place of purchase for greeting cards, running a very close second to the discount store.

* Note: This runs *contrary* to (A. C. Nielsen and other) data, which shows supermarket share of H&BA market at 48%, drug at 37% and discount at 15%.

Main reasons consumers shop primary outlets**

Commodity	Primary outlet	Main reason
Auto accessories	Discount	Price
Film & Flash	Discount	Price
Greeting cards	Discount Drug store	Convenient location, selection, price Convenient location
H&BA	Drug Discount	Convenient location Price
Housewares	Discount	Price, selection
Magazines	Supermarket	Convenience (buy with groceries)
Pet supplies	Supermarket	Convenience (buy with groceries)
Sewing supplies	Discount	Price, selection
Hosiery	Discount	Price

** Data on reasons shoppers purchase each of nine commodities at the outlet closest to home and at the outlet not closest are available upon request.

FINANCIAL NEWS

Supermarket stocks mixed in November

		PRICE							EARNINGS/SHARE					P/E	FINANCIAL POSITION					
		From 11/02/79-11/30/79							Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change		5 Year Annual Growth Rate	Profit Margin	P/E Ratio Today	(Last Fiscal Year) In $Millions		Current Ratio	(Last Fiscal Year) Per Share		Last Bal Sheet Date
Name	Symbol	High	Low	Close	Change		52 Week			Amt	Pct				Revenue	Earnings		Long Term Debt	Stock Equity	
					Amt	Pct	High	Low												
—	—	$	$	$	$	%	$	$	$	$	%	%	%	—	$	$	—	$	$	—
Albertsons Inc	ABS	38.00	35.13	35.13	-2.50	-6.64	45.00	34.25	4.76	.76 N	16.7	27.0	1.6	6.6	2269.0	36.4	1.4	28.0	20	0179
Alterman Fds	ALF	25.00	24.75	24.88	-.13	-.50	25.50	13.00	3.04	.93 Q	39.4	30.0	1.0	7.6	436.0	4.2	1.6	16.3	26	0479
Amer Stores	ASCN	28.50	25.50	27.13	-1.00	-3.55	34.50	23.50	3.14	1.03 N	35.6	25.0	2.3	6.9	1089.9	25.0	1.8	8.7	17	1278
Arden Group Inc	ARDN	4.00	3.13	3.63	.38	11.53	5.38	2.00	.07	.09 S	75.0	NE	.2	17.3	448.8	.8	1.2	8.6	7	1278
Bayless Markets	BAYM	13.00	9.50	12.50	3.00	31.57	13.00	8.88	2.19	.62 S	32.8	7.0	1.0	5.0	260.1	2.6	1.7	1.4	20	1278
Big V Supmkt	BIV	7.88	7.50	7.88	.00	.00	10.25	6.88	1.69	.44 N	31.2	37.0	1.4	4.3	295.1	4.2	1.4	5.0	7	1278
Bormans Inc	BRF	4.88	4.13	4.50	.00	.00	8.50	4.13	1.27	-.67 N	-54.0	3.0	.5	7.9	783.9	3.7	1.2	10.3	11	0179
Brunos Inc	BRNO	15.13	12.63	14.63	1.88	14.70	15.25	9.38	1.51	.44 Q	36.6	30.0	1.7	8.9	309.4	4.6	1.6	4.3	5	0678
Circle K Corp	CKP	23.00	17.25	22.50	3.75	20.00	23.00	14.75	2.12	.96 S	51.6	28.0	2.4	8.0	438.6	10.7	1.8	11.8	10	0479
Cullum Companies	CULL	19.75	17.50	19.00	.75	4.10	20.00	16.44	3.36	.69 Q	24.3	193.0	1.2	5.4	782.5	9.4	1.4	19.6	17	0679
Dillon Cos	DLL	18.00	16.38	16.63	-1.38	-7.63	23.84	16.38	2.08	.11 Q	5.9	15.0	1.9	8.5	1792.2	33.6	1.2	5.7	9	0679
Fisher Foods	FHR	9.88	7.63	8.63	.63	7.81	15.50	7.63	1.43	-1.69 N	-118.1	-33.0	.7	NE	1451.7	9.8	1.5	19.9	14	1278
Food Town A	FDTN	21.75	20.25	20.75	-1.00	-4.59	25.50	11.25	1.12	.48 N	47.5	40.0	3.2	13.9	299.3	9.5	1.4	1.2	4	1278
Foodarama	FSM	5.50	4.50	5.50	.38	7.31	7.88	4.50	1.59	-.30 N	-18.1	2.0	.6	4.1	376.1	2.2	1.5	2.6	16	1078
Giant Food A	GFSA	17.00	15.38	17.00	.38	2.25	19.75	12.44	3.40	1.05 N	37.2	21.0	1.6	4.4	1080.8	17.0	1.5	18.2	20	0279
Grt A & P Tea	GAP	8.00	7.63	7.88	.00	.00	10.38	5.13	-2.10	-.39 S	49.3	NE	-.7	NE	7469.7	-52.2	1.4	14.0	16	0279
Hannaford Bros	HRD	11.25	10.63	11.25	.13	1.12	15.63	10.50	2.78	-.08 N	-3.0	11.0	1.0	4.4	377.5	3.6	1.8	28.4	18	1278
Jewel Co	JWL	24.88	22.50	24.13	.63	2.65	27.00	19.63	3.59	1.44 S	53.7	9.0	1.2	5.9	3516.4	41.1	1.4	24.1	31	0179
King Kullen Groc	KKUL	17.00	14.25	15.50	1.25	8.77	17.25	11.00	2.68	-.17 F	-5.9	6.0	.6	5.8	281.0	2.0	1.5	0	32	0978
Kroger	KR	20.00	17.88	18.00	-1.63	-8.28	27.00	16.63	3.11	1.10 N	41.1	23.0	1.1	4.8	7828.1	84.6	1.4	12.1	20	1278
Lucky Stores	LKS	16.38	14.75	16.25	1.25	8.33	17.75	13.88	1.64	.46 N	29.2	17.0	1.7	8.0	4658.4	80.4	1.5	6.4	7	0179
Marsh Supmkts	MARS	5.13	4.63	4.63	-.13	-2.63	6.75	4.63	1.11	-.36 S	-28.1	22.0	.9	5.0	392.0	3.6	1.4	10.1	7	0379
Meyer Fred	MEYR	30.13	26.88	29.63	2.50	9.21	34.13	23.78	3.05	.26 N	9.0	21.0	2.3	9.4	927.1	20.9	1.5	15.9	21	1278
Motts Super	MSM	8.63	8.00	8.13	-.38	-4.41	10.63	8.00	1.95	.17 N	9.8	25.0	1.3	4.3	211.2	2.8	1.6	.3	10	1278
Munford Inc	MFD	7.50	6.75	7.38	.00	.00	14.75	6.50	.17	1.02 N	-212.5	-23.0	.3	13.7	260.0	.7	1.4	28.3	11	1278
Natl Conv Str	NCF	14.38	13.00	14.00	.25	1.81	14.38	10.00	1.50	.33 Q	24.8	58.0	1.9	8.4	320.4	6.0	1.2	11.8	7	0679
Natl Tea Co	NTY	4.38	4.13	4.38	.00	.00	5.25	3.63	.73	.11 N	16.4	72.0	.8	5.6	918.6	7.3	1.2	5.8	6	1278
Niag Fron Svc	NFS	23.63	22.50	23.00	-.88	-3.66	30.88	18.38	4.05	.55 Q	15.3	13.0	1.9	5.6	464.1	8.7	1.6	19.7	21	0679
Pneumo Corp	PNC	31.63	29.13	29.88	-1.50	-4.78	34.25	17.00	2.23	.30 N	12.9	4.0	1.1	11.4	627.0	6.6	2.4	17.7	24	1178
Pueblo Intl	PII	3.88	3.38	3.38	-.25	-6.89	5.38	3.38	.88	-.05 S	-5.3	60.0	1.4	3.8	296.2	4.0	1.3	8.1	7	0179
Safeway Stores	SA	36.75	34.00	34.00	-2.50	-6.84	44.00	31.50	5.60	.93 N	18.6	11.0	1.2	5.7	12550.6	146.1	1.2	33.7	36	1278
Seaway Food Town	SEWY	11.75	10.26	11.00	.75	7.31	11.25	8.50	2.90	.85 F	41.4	21.0	1.5	3.8	285.2	3.3	1.5	12.1	13	0978
Shopwell Inc	SH	4.50	4.25	4.25	-.25	-5.55	7.00	3.63	.46	.24 N	61.5	33.0	.3	6.7	271.6	.7	1.5	12.0	11	1278
Southland Corp	SLC	28.00	26.75	27.13	-.50	-1.81	31.06	24.41	2.66	.69 N	28.8	20.0	1.9	8.8	3076.5	57.1	1.5	22.7	18	1278
Star Supermkts	STR	14.63	12.50	14.63	2.38	19.38	14.63	8.69	2.51	1.15 N	53.2	14.0	1.1	4.4	228.3	2.4	1.4	5.2	18	1278
Stop & Shop	SHP	16.38	14.13	15.88	.63	4.09	20.13	14.13	4.00	.52 S	14.8	9.0	.9	4.0	1762.1	16.0	1.6	44.6	29	0179
Sunshine-Jr	SJS	8.63	8.00	8.50	.38	4.61	9.50	5.50	1.19	.45 N	38.4	9.0	1.7	5.2	93.6	1.6	2.3	0	9	1278
Super Fd Svc	SFS	12.00	10.75	12.00	.47	4.06	15.59	10.75	1.80	.19 F	11.8	9.0	.3	6.7	667.6	2.4	1.7	9.4	13	0878
Supermkts Gen	SGL	16.75	14.63	15.38	-1.13	-6.81	19.75	11.50	1.98	.87 S	58.0	44.0	.9	6.5	2061.9	17.9	1.3	23.5	13	0179
Thorofare Mkts	TMI	4.00	3.50	3.75	-.25	-6.25	5.13	2.38	.61	.27 F	79.4	82.0	.4	6.1	200.9	.4	1.9	.4	10	0778
Thriftimart A	TFTA	24.00	21.25	24.00	2.50	11.62	27.63	15.13	4.86	3.05 S	74.0	26.0	1.2	3.3	368.1	4.5	1.6	1.1	43	0379
Victory Markets	VMKT	3.38	2.88	3.00	.13	4.34	4.13	2.63	.74	-.05 N	-6.6	12.0	.5	4.3	228.6	1.1	1.2	8.0	8	1278
Waldbaum Inc	WALD	13.00	12.25	12.25	-.25	-2.00	14.31	8.75	2.85	.96 Q	50.7	12.0	.7	4.3	941.5	7.0	1.4	20.0	23	1278
Weingarten J Inc	WEIN	11.75	7.00	11.00	5.00	83.33	11.00	4.88	.62	2.06 Q	-196.1	-22.0	.2	10.9	566.1	1.4	1.4	15.5	12	0679
Weis Markets	WMK	26.25	25.50	25.63	-.13	-.48	28.50	22.38	2.71	.45 N	16.9	17.0	4.7	8.3	518.0	24.6	3.5	0	15	1278
Winn-Dixie A	WIN	29.50	27.13	27.75	-2.00	-6.72	33.75	25.50	3.24	.28 Q	9.3	13.0	1.9	8.4	4930.5	94.5	2.0	4.0	19	0679

Data provided by Media General Financial Services, Inc., Richmond, VA 23261

All information in this table is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered in future editions.

*(KEY: NA—Not Applicable NC—Not Calculable Q—First quarter S—Six months *—Other than a quarterly multiple NE—Negative Earnings) F—Fiscal year N—Nine months resulting from a fiscal year change*

Boardroom analysis

Just about any news would have to be regarded as good news after last month's across-the-board decline in supermarket stocks. Therefore, November's thoroughly mixed market must be considered a small step in the right direction.

During the Nov. 2-Nov. 30 reporting period, winners narrowly outnumbered losers on the list of 46 stocks monitored for *Chain Store Age* by Media General Financial Services. A total of 22 issues increased in value and 19 declined.

J. Weingarten was clearly the month's biggest winner, scoring an 83.33% increase in November. The price of the chain's shares, now trading at a 12-month high of 11, was probably boosted by the impending tender offer from Cavenham Ltd., parent company of Grand Union, scheduled for February. Other stocks finishing well to good included Bayless (+31.57%), Circle K (+20.00%), Star (+19.38%), and Brunos (+14.70%).

FINANCIAL NEWS

Industry profits hit record levels for decade

Reversing a decade-long trend, larger supermarket operations proved more profitable than smaller ones in 1978, according to the FMI "1978 Annual Financial Review" recently released by the trade group.

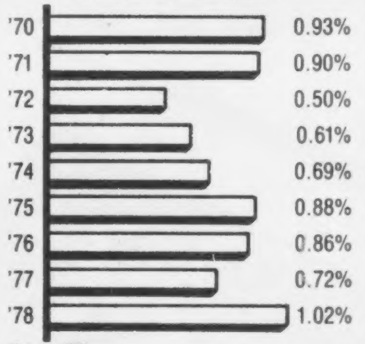
The figures, based on a mail census of FMI members and data gathered from publicly published financial statements, show that chains with annual sales of more than $500 million had a 1.13% net-to-sales ratio in 1978. By comparison, food retailers with less than $10 million in yearly volume only managed a 0.92% ratio, while those in between averaged 0.93%.

The net-to-sales ratio was up sharply for the industry as a whole, reaching 1.02%. This was the first time in the 1970's that supermarkets achieved a profit after taxes of more than 1% of total sales. Previous high for the decade occurred in 1970, 0.93%.

Total supermarket sales, according to FMI, reached a record $130.8 billion in 1978. There was little reason for celebration, however, since inflation accounted for most of the increase. In "real" dollars—deflated using the consumer price index—the total sales gain was a modest 1.3%. Based on 1967 dollars, total sales reached $62.2 billion.

Total industry net income rebounded sharply after the 1977 downturn, soaring to $1.3 billion. There was plenty of growth in "real" dollar terms, too. Profits, adjusted for 1967 dollars, rose 24% over the 1976 record to $634 million.

Net-to-sales ratio



Source: FMI

Income statement for the supermarket industry
(millions of dollars)

	1977	1978	% change
Sales	$116,810.0	$130,830.0	+12.0%
Cost of sales and operating expenses	115,420.0	128,386.1	+11.2
Interest expenses	275.7	488.0	+76.8
Total costs and expenses	115,695.7	128,874.1	+11.4
Operating income	1,114.3	1,995.9	+79.2
Other income	332.9	368.9	+10.8
Income before taxes	1,447.2	2,324.8	+60.7
Total taxes on income	630.8	1,024.5	+62.4
Extraordinary items—net	23.4	31.4	+34.2
Net income	839.8	1,331.7	+58.6

Source: FMI, *Chain Store Age*

Supermarkets General slows in third quarter

Although intensified competition caused its third quarter to lag noticeably behind first-half performance, Supermarkets General Corp. still appears to be well on its way to another outstanding year.

Thanks to a quick start, nine-month figures as of Nov. 3, 1979, show SGC 20% ahead in sales and up 48% in net income for the current fiscal year to date. During the third quarter, sales volume grew a more than satisfactory 16.1%, but profits rose just 4.1%. This resulted from a need for increased promotion and thinner margins to match the thrusts of price-oriented competitors in SGC's trading area.

Seaway logs gains in sales and profits

Seaway Foodtown, Maumee, Ohio, reports excellent sales and earnings gains for the chain's fiscal year ended Sept. 29, 1979. Chairman of the board W. D. Iott announced the banner performance at a board meeting, at which a $0.16 per share dividend was also declared.

Sales for the 53-unit chain (which also wholesales to other supermarket customers) kept ahead of inflation, rising 13% to $325,857,000.

The profit picture shone even more brightly for Seaway. Net earnings soared 43% to $4,757,000. The net-to-sales ratio increased to 1.46.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Seaway Foodtown	Year	9/29	$ 325,857,000	+13	$ 4,757,000	+43	1.46
Arden-Mayfair	9 mos.	9/29	341,000,000	+ 3	2,636,000	+94	0.77
Sunshine Jr.	9 mos.	9/30	87,693,474	+28	1,810,359	+47	2.06
Fleming	9 mos.	10/6	583,403,000	+14	2,716,000	+ 4	0.47
SGC	9 mos.	11/3	1,736,422,000	+20	15,427,000	+48	0.86
Alterman	6 mos.	10/28	242,061,449	+19	1,987,142	− 1	0.82

Source: *Chain Store Age*

Exclusive: 19,000 super workers speak their minds

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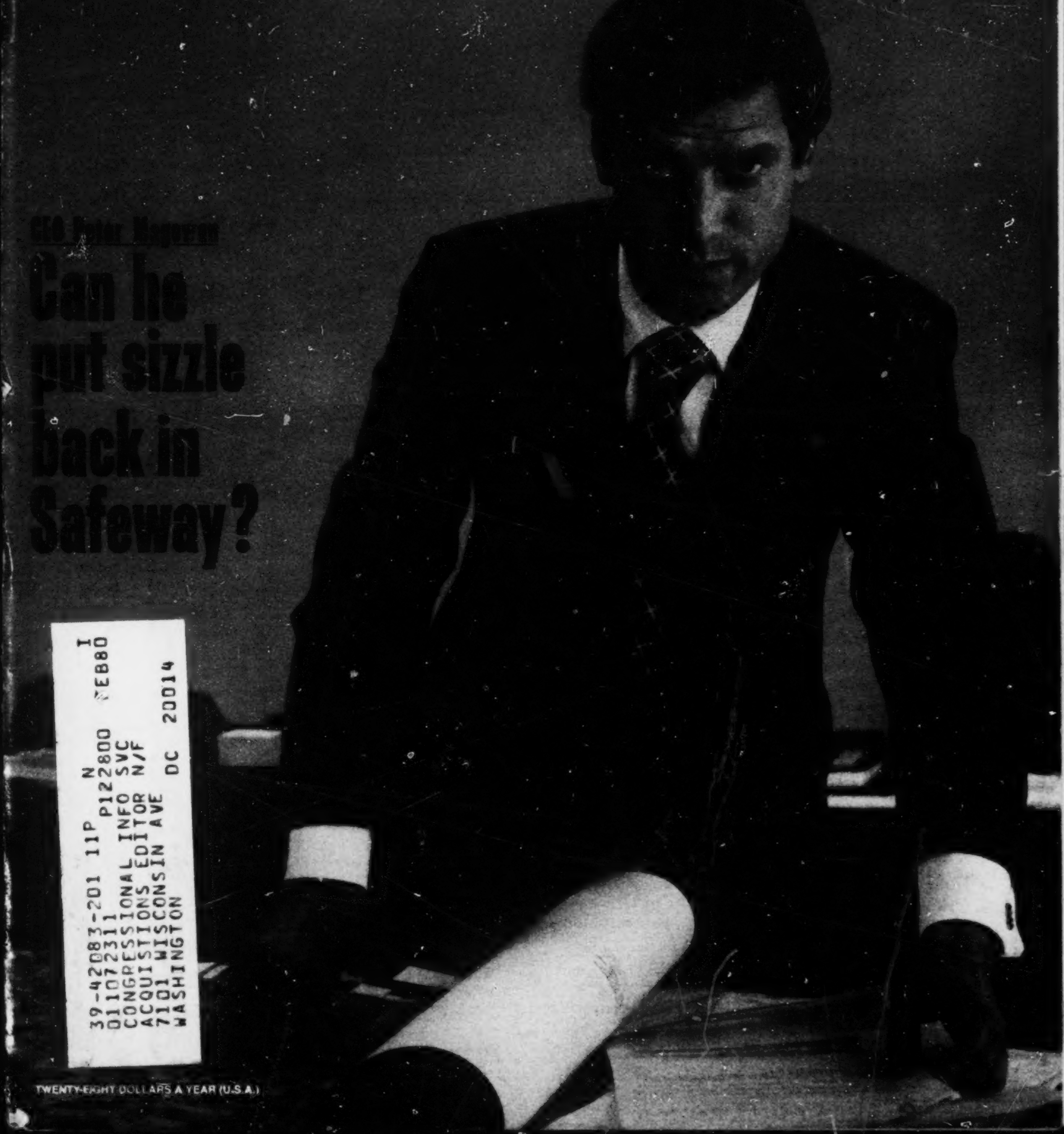
Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAI VOLUNTARIES

February 1980



CEO Peter Magowan

Can he put sizzle back in Safeway?

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53 **Exclusive: Employee Attitude Survey**

What do your workers really think about their jobs? their employers? their co-workers? *CSA* asked 19,000 of them—and got some surprising results. This 14-page study presents some bold guidelines for getting more productivity out of supermarket employees.

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EXCLUSIVE *CHAIN STORE AGE* REPORT

Employee Attitude Survey: What do supermarket workers really think?

EMPLOYEE
ATTITUDE SURVEY

Benchmark study explodes long-held myths about the attitudes of supermarket workers

☐ The same headquarters executives who can glibly rattle off the gross margin and turn of every item in the supermarket probably would be hard-pressed to say anything meaningful about the people who stock the shelves, process customers' orders and administer the stores. Every area of operations in the food retailing business, from site selection to front-end procedures, gets merciless scrutiny from top management, but personnel-oriented programs are often implemented in slapdash fashion with little or no follow-up analysis to determine if they are actually meeting management's goals.

The reason this hypothetical upper-level manager would find it so tough to comment meaningfully is that few supermarket companies have done any research to find out what makes their own store people tick. It is ironic that in an industry that pays so much lip service to the importance of its people, the employees are such a mystery to those above them on the corporate ladder.

Certainly, this industrywide ignorance can't be excused on the basis of priorities. What could be more important than finding out about the people who actually make things happen at the point-of-sale? The supermarket industry spends a whopping 50% of total gross margins on their employees, yet they know next to nothing about these workers.

Improving the bottom line: Nor can it be argued that learning to manage personnel more effectively—by investigating their likes and dislikes, wants, needs and desires relating to the job—won't show up on the bottom line of the financial statement. Not only are better-satisfied workers more productive from just about every standpoint, but improving "people programs" offers the best hope for combatting one of the food retailing business' most serious problems: employee turnover.

It costs a retailer $250 every time an employee leaves his company. And that figure does not even take into consideration the fact that an unsatisfied worker may turn into a goldbrick, become rude to shoppers or even start stealing before severing connection with the business.

Remember, most workers would rather be fired than quit so that they can collect unemployment compensation. An unhappy worker may therefore resort to unacceptable behavior to provoke management into terminating him.

The supermarket industry's databank on its own work force resembles a map of the world drawn before Columbus set sail from Spain: Some of the facts are wrong—and there are vast areas of the landscape covered by the word "Unknown."

Chain Store Age Supermarkets commissioned the industry's first Employee Attitude Survey to properly redraw and fill in that map. For the first time, the food retailing business has benchmark statistics covering the attitudes of both managers and nonmanagers at the store level concerning work, promotion, co-workers, pay and supervision.

From this base, it will be possible for individual companies to use similar testing instruments to find out where their own employees rate compared to this national sample of 19,000 supermarket people. This, in turn, will make it possible for retailers to experiment with human resource programs in much the same way they currently test new merchandising strategies.

Exploding pay myth: Probably the most important finding to emerge from this study is the explosion of the myth that raising pay is the only thing that can affect the satisfaction level of employees. The data presented on the following pages proves that pay is only the fourth most important factor affecting worker satisfaction.

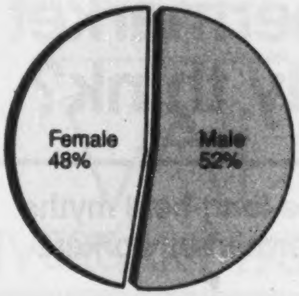
Many of the difficulties between workers and top management appear to boil down to problems in communication. Many programs pushed down the chain of command from headquarters simply have no impact at all on the average worker in the store. This goes for everything from affirmative action to career development planning. In no other area of activity within the supermarket industry could policies with such miserable track records continue to function undisturbed.

That is, in fact, the problem. Since management experiences great difficulty communicating with its work force, there is no feedback to guide top-echelon decision makers in fine-tuning human resource activities.

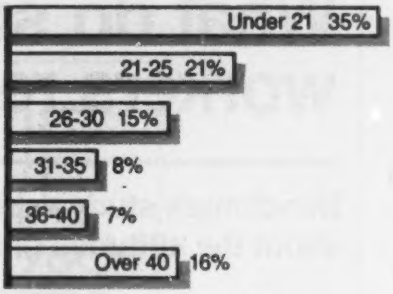
The Employee Attitude Survey is a long-needed tool. Those supermarket top managements that can put it to best use stand to gain an edge in the 80's over those companies that continue to regard their employees as simply a payroll to be met. □

—Arnie Katz

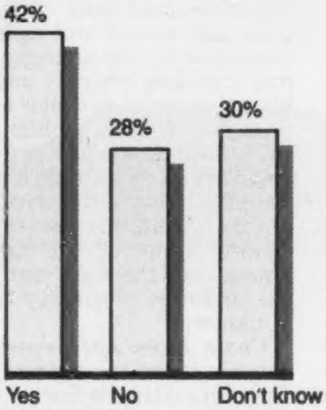
Sex



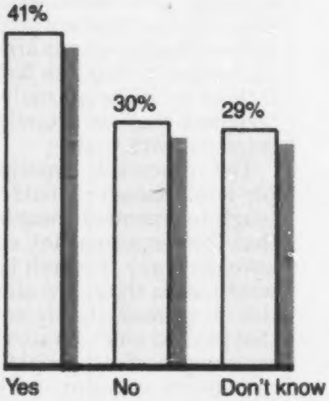
Age



Intend to make a career in the retail food industry



Intend to make career at current company



Survey methodology

The results of the Employee Attitude Survey are based on questionnaires sent to 19,000 people working in supermarkets. There are 248 stores represented, owned by 37 multiunit and 38 single-unit operators. The participating supers provided the information from which the store profiles were constructed.

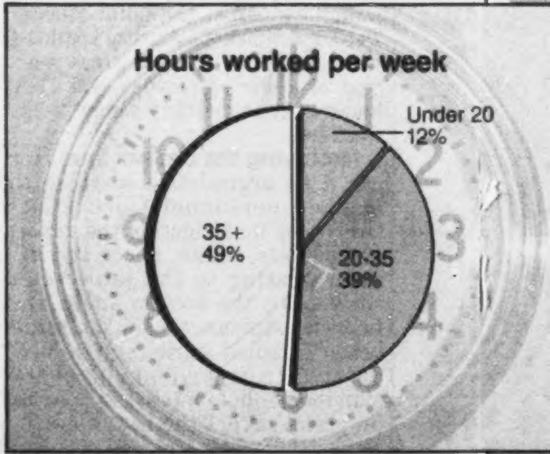
The survey itself consists of 99 job-related items divided into five categories—work, promotions, co-workers, pay and supervision. The questionnaire asked workers to evaluate each statement's applicability to his or her own situation by putting a "Y" (Yes), "N" (No) or "?" (Undecided) next to each one.

The study treated the responses in two ways. First, satisfaction scores, ranging from 0 to 54, were created for each area. The sum of the five component parts produced the *level of satisfaction* scores frequently referred to in this report.

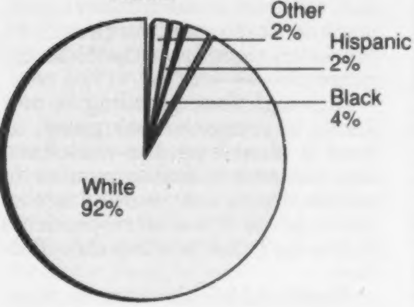
The study also tabulated the number of positive responses to each item for purposes of comparison.

Finally, the questionnaire also provided space for the respondents to make a comment about any aspect of their jobs.

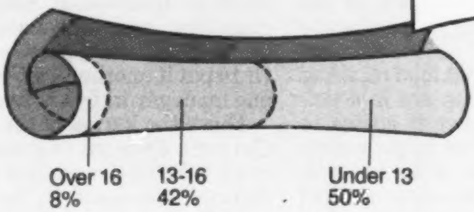
Hours worked per week



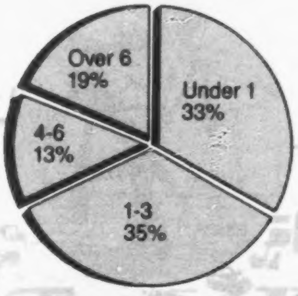
Race



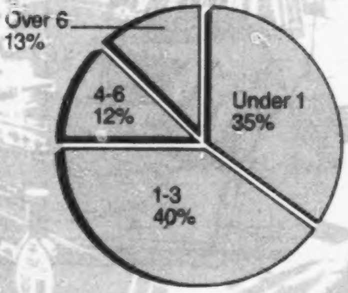
Years of formal education



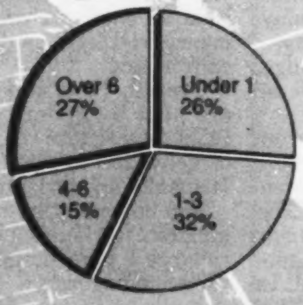
Years in current job



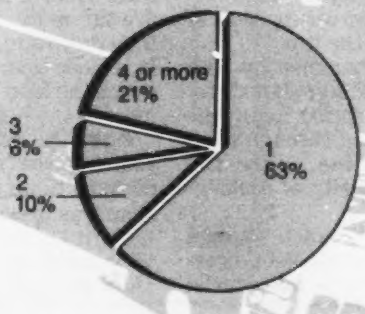
Years in same store



Years with same company



Stores worked for this company



EMPLOYEE DEMOGRAPHICS

Men still dominate managerial ranks

☐ A demographic analysis of the respondents to the employee attitude study reveals that one of the supermarket industry's most acute "people problems" is sexual inequality. It is plain that food retailing companies as a group are in a vulnerable position when it comes to defending themselves in the courts against class action suits brought by female employees seeking equal opportunities for advancement in the supermarket field.

Overall, men predominate over women numerically in the food retailing business, accounting for 52% of the total work force. However, this ratio is not maintained uniformly up and down the job ladder. Women fill a majority of the lower-rung jobs, while men occupy most of the positions near the top.

Women outnumber men by 53% to 47% in nonmanagerial slots. That's hardly a surprise to anyone who has ever passed through a supermarket checkline, since the overwhelming majority of cashiers are women.

However, the balance swings quite sharply in the opposite direction when it comes to managerial positions. According to the study, approximately 83% of all managers at store level—that means store managers, assistant managers and department managers—are men. Or to put it another way, fewer than one manager in five is female.

That's the kernel of the problem. Current Federal regulations require that the percentage of women managers be equal to the percentage of women in the overall work force. Clearly, the industry is some distance from realizing this goal of sexual parity at work.

Of course, many companies have already recognized the difficulty and are attempting to work more women into their management picture. Women in management roles are far more commonplace today than they were just a few years ago. It is clear that this is one challenge which the food business will have to meet in the new decade.

Age: The accent is definitely on youth in the retail food industry, perhaps to an even greater degree than was previously supposed. The majority of store workers are under 25 years of age, and more than one-third are still under 21 years old. In fact, there are about as many supermarket employees in the 21-25 bracket as there are in the 26-35 age range.

Although food retailing is evidently a young person's game, at least at store level, the work force also contains a sizable number of people who are 40 years of age or more. About 13% of all respondents to the study fall into this classification.

Race: Although there is some question about the supermarket industry's record in the area of sexual discrimination, retailers have apparently moved aggressively to establish racial equality within their operations. The demographic analysis shows that minority workers have as good a chance to rise to managerial level as do their white co-workers.

Overall, 7% of supermarket jobs are held by minority employees. Blacks constitute the largest block of nonwhite workers, followed by Hispanics and Orientals.

The important news here is that minority workers constitute almost as large a percentage of managers as nonmanagers.

Worker tenure: The rapid turnover in the work force has long concerned supermarketers—and with good reason. The "revolving door" syndrome makes it hard to keep stores operating efficiently and gets in the way of maintaining policies and procedures established by company management.

Illustrating the gravity of the turnover problem, one out of every four supermarket workers has been with their current employer less than one year. A solid majority, 58%, has been with the same firm for three years or less.

Most workers will spend their entire time with a company at the same store, but a sizable minority of 37% has put in time at two units or more. A little over one-fifth of the sample could be described as supermarketing gypsies, since they have toiled at four or more supers for the same company. Only 25% of long-time employees—those who have lasted beyond three years—are still at the same supermarket.

Managers are no less mobile than the workers they supervise. The study suggests that few of them get to stay in one place for any great length of time.

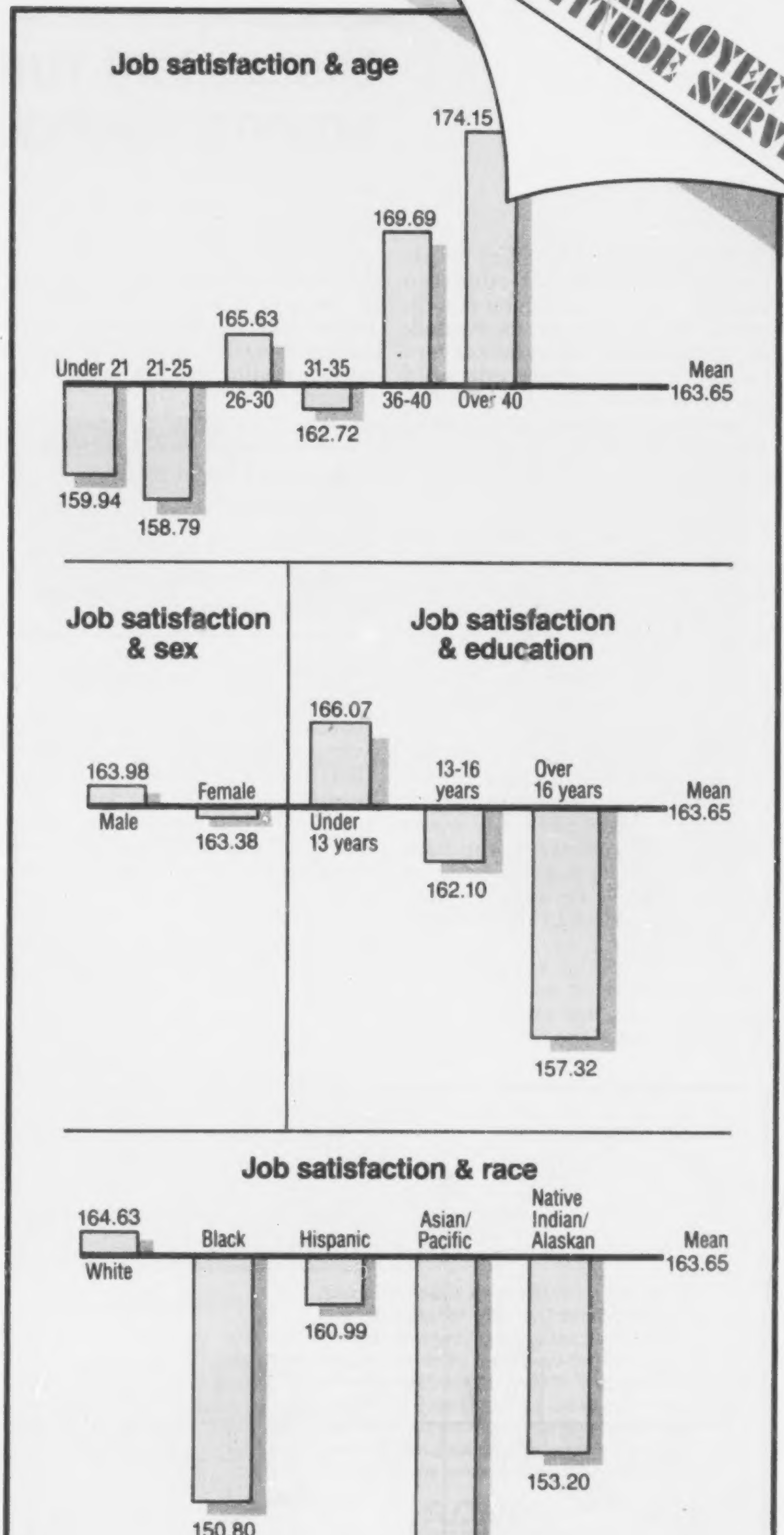
Of the stores surveyed, 23% had managers who had been in that post for less than one year. An additional 20% had managers with between one and two years in the same super.

Fewer and fewer managers remain in the same spot over the years. Although two respondents claim 30 years' service at a single store, they are definitely exceptions to the rule. Only 13% of managers have worked in the same store for over seven years, with the average standing at 3.5 years.

Although 43% of store employees intend to carve a career in food retailing—most with their current companies—the statistics vary sharply between management and nonmanagement workers. By far more management people are career-oriented. About 78% of the managers intend to make a career; 65% of the nonmanagers have no plans to continue working for supermarkets.

Full- vs. part-time: Experience shows that the ratio of full-time workers to part-time ones varies widely from supermarket to supermarket. Full-time employees are slightly outnumbered, 49% to 51%.

Among part-time employees, most (39%) work 20 to 35 hours per week. The remaining 12% is employed fewer than 20 hours per week. ☐



Job satisfaction & age

Job satisfaction & sex

Job satisfaction & education

Job satisfaction & race

DEMOGRAPHIC ATTITUDE ANALYSIS

Discontent runs high among younger workers

☐ The industrywide effort to attract and hold better-educated workers creates something of a dilemma for top-echelon food retailing executives. Many observers believe that the more educated worker is needed to cope with the increasingly complex nature of store operations, including computerization of many functions, yet the better-schooled worker often proves to be the least happy.

This is the unmistakable pattern that emerges from the study: The more years of formal education the worker has, the lower his or her level of satisfaction is likely to be.

For example, those employees possessing a high school diploma or less have a satisfaction score of 166.07, substantially above the mean satisfaction level of 163.65. Those who have logged one to four years of college experience rank somewhat lower than the mean (162.10), while workers who have completed at least some work in graduate school have a level of satisfaction that is far below average, 157.32.

The 50% of the supermarket work force without college experience shows greater levels of satisfaction in four of the five major job areas covered by the study—work, co-workers, promotions and supervision. Well-educated employees are more satisfied than those with fewer years of formal schooling only in the area of salary. Presumably, better-educated workers are more upwardly mobile within their companies, leading to a better attitude toward pay.

> **'I wouldn't have felt so mistreated if management had asked us to help. Instead they just told us what to do.'**

Is the work challenging? One reason that food retailing is such a "revolving door" may well be that younger workers do not appear to find the work itself sufficiently challenging. Under-25 workers, who presumably fill most of the entry-level positions in the industry, have significantly lower job satisfaction than their older co-workers—and satisfaction with the work is the main troublespot.

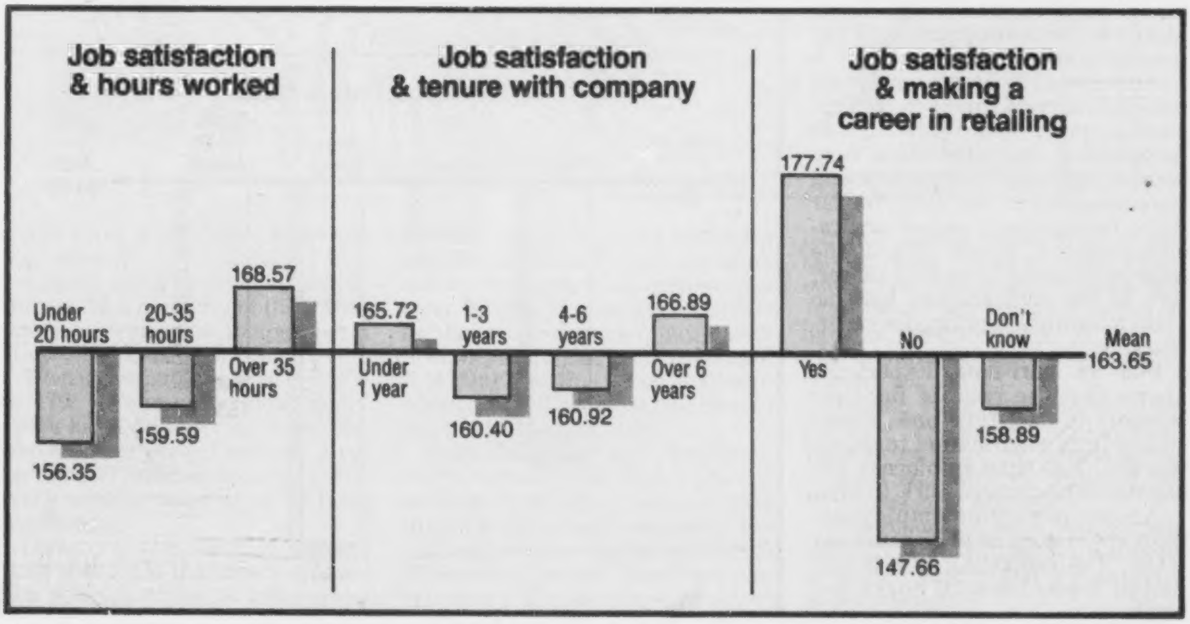
Employees in the 36-40 age group (33.30) and the over-40 segment (34.55) express the greatest pleasure with the work they do. At the opposite end of the spectrum are the under-21-year-olds, with a level of satisfaction with work of just 26.48.

The most dissatisfied group of workers, ranked by age, are those who are under 25 and in nonmanagerial slots. Although younger managers express less satisfaction with the work than do their older colleagues, they are nonetheless more satisifed in this area than any age group of nonmanagement employees.

Young, nonmanagement workers habitually do the necessary, though repetitive, tasks around the store, like stocking the shelves and pricing items. Satisfaction with the work among nonmanagement employees can be expected to improve over the next decade, as store-level automation streamlines—or even eliminates—some of the less exciting duties.

Improving satisfaction with the work among younger employees won't be easy over the short haul. One possibility might be to assign even relatively junior people occasional supervisory responsibility to spice up their work routine.

Sex: Male workers are more satisfied than their female counterparts in food retailing, but this is a deceptive statistic. Overall, men compile a satisfaction score of

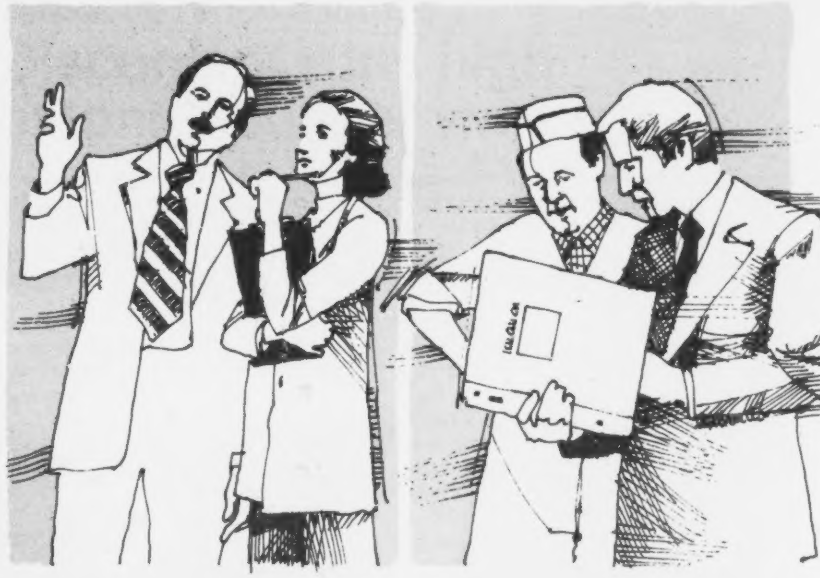


163.98, against 163.38 for women.

However, the results take on a different aspect when further divided between managers and nonmanagers. This makes it obvious that the reason that men as a group are more satisfied is that more of them fit into the management class than do women—and managers are more satisfied, in general, than those whom they supervise.

> **'I think there should be more opportunity for women to move up into responsible positions.'**

In fact, female nonmanagers actually display a much greater level of job satisfaction than do men in comparable positions, by a margin of 162.57 to 158.41.



Among nonmanagers, men and women have roughly the same degree of satisfaction with the work itself. This holds true, though to a somewhat lesser extent, with their attitude toward the supervision they get. However, women are definitely more satisfied than men when it comes to both pay and co-workers.

Promotions is the only area in which male nonmanagers show greater satisfaction on the job than women. This could well be a reflection of the still-restricted opportunities available to women.

Race: The supermarket industry has traditionally provided a way for members of minority groups to get ahead in life. In the past, this meant ethnic minorities such as Jews, Greeks and Italians. These days, "minority" more often refers to nonwhite groups in our society such as blacks, Hispanics and Orientals.

How successfully are the present-day minorities fitting into the industry's work force? The employee attitude study suggests that the results are mixed, but it also provides some hope. Although minority members are, in general, less satisfied than whites, the gap is hardly insurmountable.

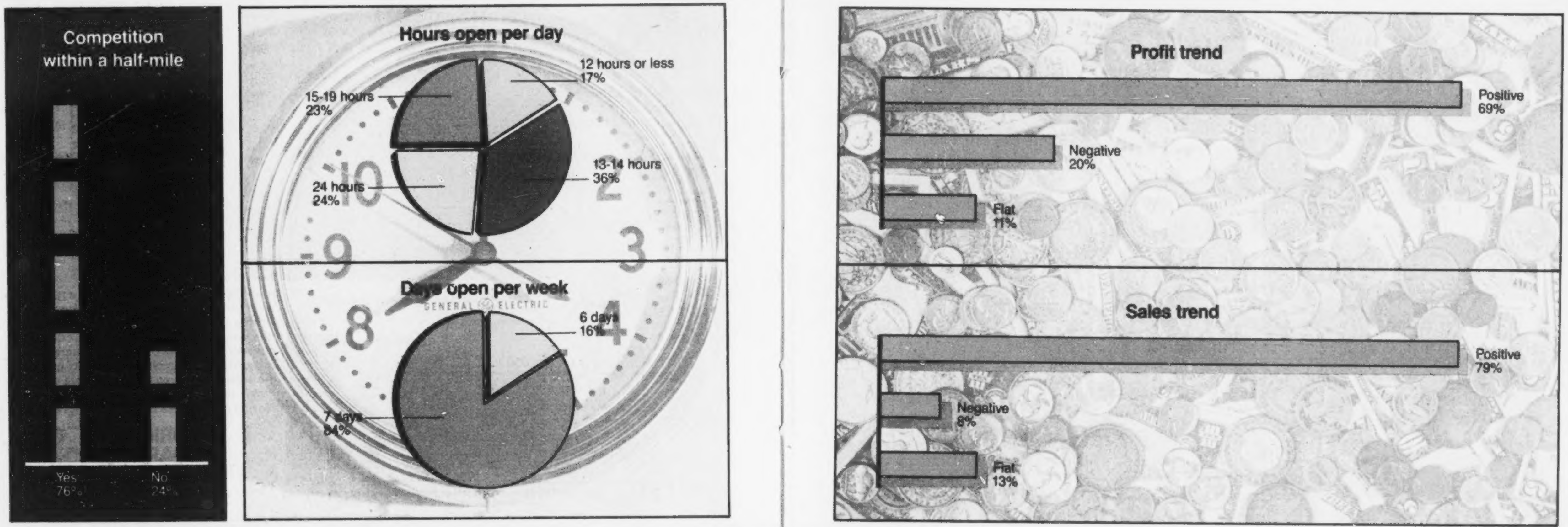
Hispanics have the highest overall level of job satisfaction among nonwhites, 160.99 (vs. 164.63 for whites). Within the nonmanagerial ranks, the gap between Hispanics and whites all but disappears—the scores are 161.45 for whites and 159.27 for Hispanics.

Interestingly, Hispanics show the highest degree of satisfaction of any racial group when it comes to the pace of promotions. They also lead whites in the area of happiness about the work itself.

Co-workers, supervision and pay are aspects of the job that provide Latins with a lesser degree of pleasure. Lack of satisfaction with co-workers and supervision could possibly be reduced by a greater push to overcome the language barrier that impedes the work efficiency and upward mobility of some Hispanic workers.

Blacks, the largest single nonwhite group of workers, are significantly less satisfied than either whites or other racial groups. Blacks are less satisfied across the board, but co-workers, pay and supervision are the key areas. Nonmanagement black employees are actually closer to white satisfaction levels than are black managers, but here, too, co-workers and pay are points of dissatisfaction. □

Supermarket industry store profile



ATTITUDE ANALYSIS OF STORE POLICIES

Longer business day has negative effect on workers

☐ Fluctuations on the bottom line of the financial statement provide an objective yardstick for judging the effectiveness of any changes in store operating policies. Unfortunately, supermarket executives have lacked a similarly concrete way to gauge the impact of such policy changes on their own work force.

The results of the employee attitude study indicate that some operations policies which have been adopted by wide segments of the industry in recent years have had a negative effect on the level of employee job satisfaction.

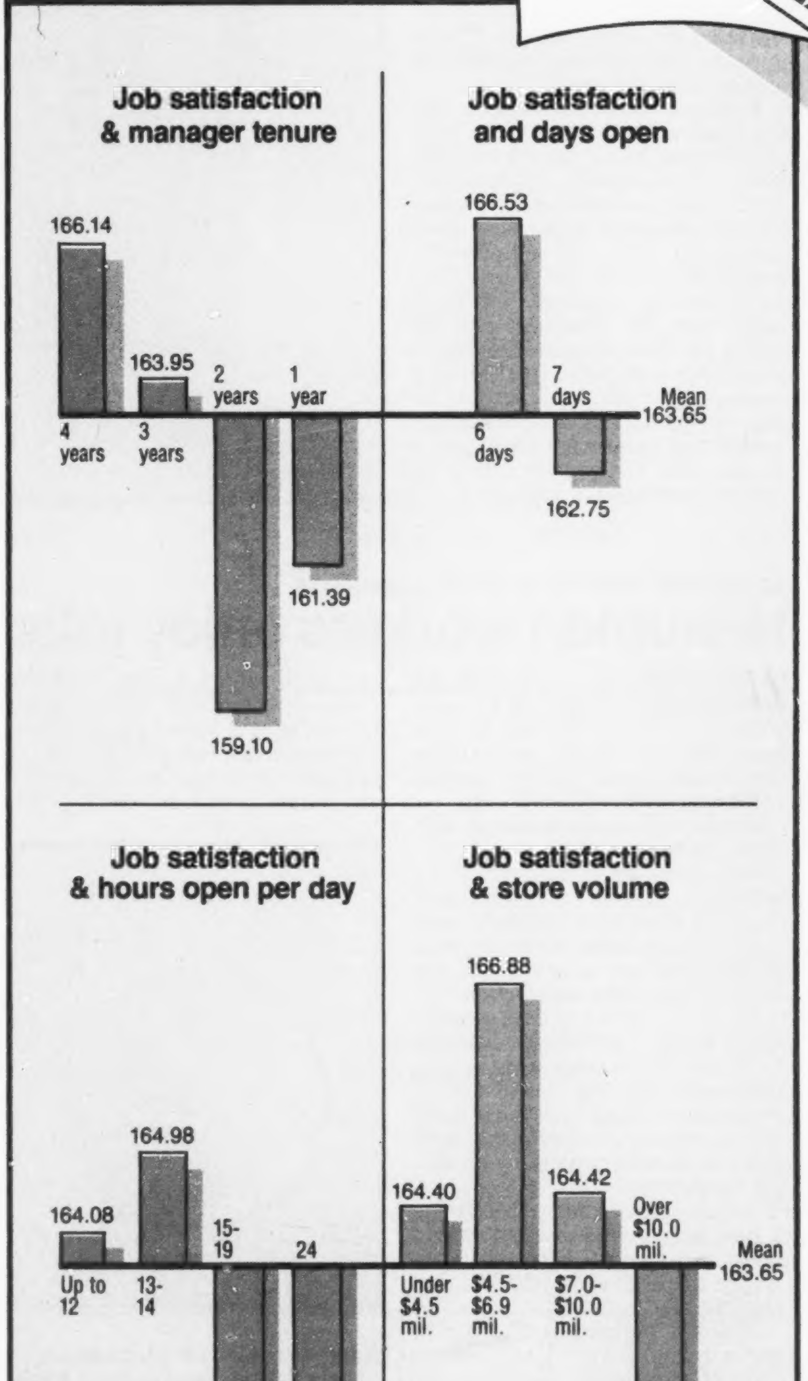
As the "Blue Laws" that mandate Sunday closing for most businesses have fallen by the wayside across the country, seven-day opening has become more the rule than the exception. Today, thanks to competitive pressures and the desire to better serve customers, 84% of the supermarkets participating in the study are open every day of the week.

'The schedules are hard to work because they change every week. It's hard to make plans for any hour, day or evening, for activities outside the job.'

Employees in the remaining 16% of stores that still operate only six days a week are measurably more satisfied than those who toil at supers open every day. Note, however, that employees at seven-day stores still rate close to the industry mean. Thus, a six-day schedule makes employees happier than average, but full-week operation doesn't depress satisfaction levels much below the norm.

Operation hours: As anyone who has ever tried to make a night shift run smoothly probably has guessed already, the number of hours in the business day has more bearing on worker satisfaction than the number of days open.

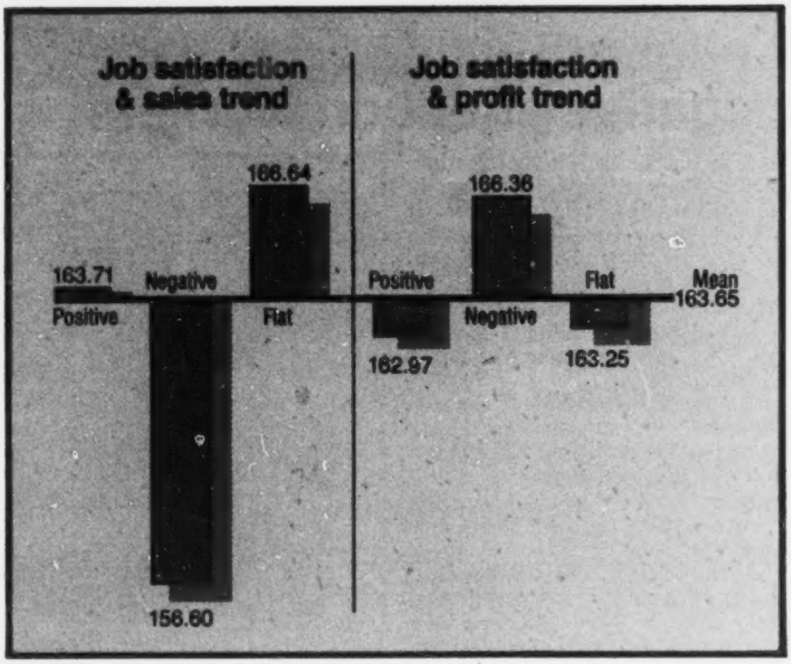
Round-the-clock operation, a customer draw in many markets, produces the lowest level of worker satisfaction. As expected, workers at such stores are more satisfied than average with pay, but they are



considerably less happy about the supervision they receive.

Manager's tenure: The longevity of the store manager is another way in which supervision directly affects worker satisfaction. Veteran managers, who presumably know the store situation inside out, produce the highest level of satisfaction among their workers.

First-year managers inspire the next-best scores, while those with two or three years' experience rate lower. One possible explanation: New store managers are enthusiastic and energetic when they first arrive and make a strong effort to communicate with the people they supervise. As time goes on, managers may lose that edge and fall into a rut that is less satisfying to the store's work force. By the time a manager has been on the job for four or more years, however, experience and knowledge have grown to the point where they offset the lack of freshman enthusiasm. ☐



ATTITUDES TOWARD UNIONS & BENEFITS

Nonunion workers enjoy jobs more

☐ The industry's labor leaders, so prone to claim credit for any improvement in conditions for the rank and file, should re-examine their efforts in light of the findings of the employee attitude study.

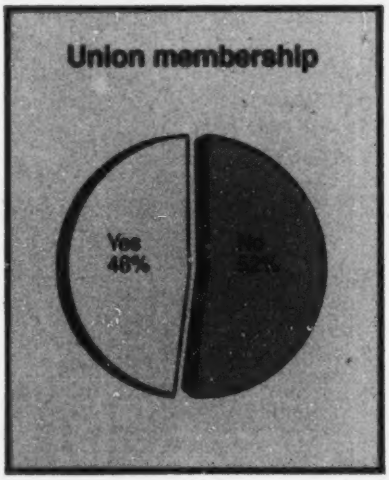
Workers in nonunion stores, 52% of the survey sample, are significantly more satisfied than those who belong to a union. Government statistics show that unionists earn more than nonunion members, so it is clear that pay alone is not the ticket to employee satisfaction.

Of course, good pay *does* contribute to worker satisfaction. It would be naive to claim otherwise. Yet the inescapable conclusion is that other factors, including the work itself and the quality of supervision, have more to do with promoting on-the-job happiness.

It may surprise some that giving a raise may not be the best way to boost satisfaction. A raise will increase the level of satisfaction, but the gains fade quickly.

Within three months after receiving a raise, the typical worker's level of satisfaction plummets. So unless a supermarketer wants to pass out raises every quarter, he must seek other ways to increase the satisfaction of those on his payroll.

Supervision, not pay, is the key to explaining why nonunion workers are more satisfied than unionized ones. In the study, much higher percentages of union than nonunion employees respond affirmatively to positive statements about supervision when asked to relate such comments to their own job situations.



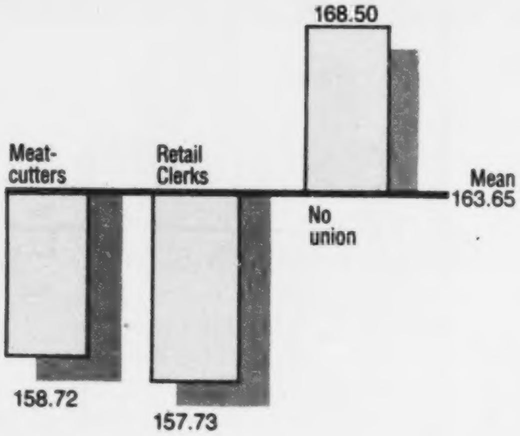
Only half of the unionized workers believe their supervisors praise good work, but 61% of nonunion workers say that their supervisors reward good work, schedule fairly and formally review job performance. In large measure, it is this climate of communication that results in more satisfaction for nonunion workers than for those who habitually deal with management through the buffer organized labor creates.

Merit raises: Workers are definitely more satisfied that good job performance will be recognized by supervisors and rewarded by management. Accordingly, companies with provision for merit pay increases have more satisfied workers than those firms that don't.

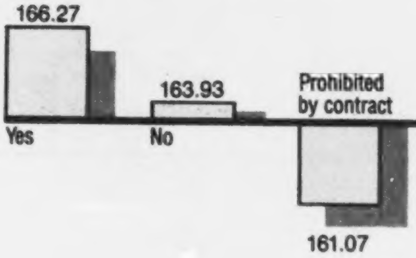
Worker response to merit raises should touch off warning sirens for labor leaders. The only thing worse than the absence of a mechanism to award merit raises is prohibition of the practice by union contract. Workers in this situation have a satisfaction score of 161.07, compared to 166.27 for those employed by supermarkets that give merit raises and 163.93 for workers at stores where they are not given, but not expressly prohibited, either.

Organized labor often seems to take the position that it should be the only source of gains for its members. This attitude is shortsighted. It now appears that this stance on the question of merit raises may be building up a reservoir of resentment within the ranks of unionized supermarket personnel that could pose problems for labor in the future. ☐

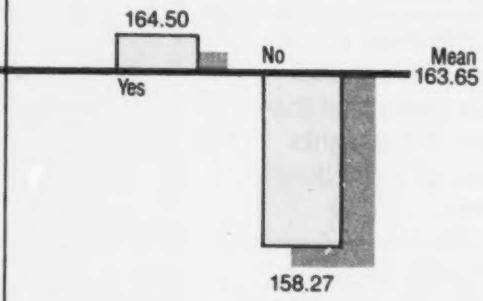
Job satisfaction & union membership



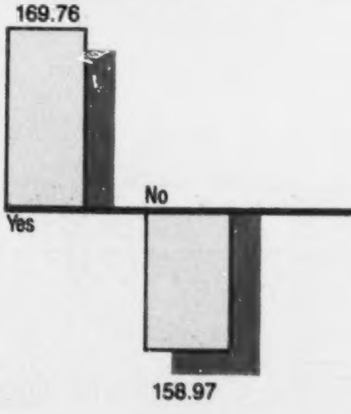
Job satisfaction & merit pay increase provision



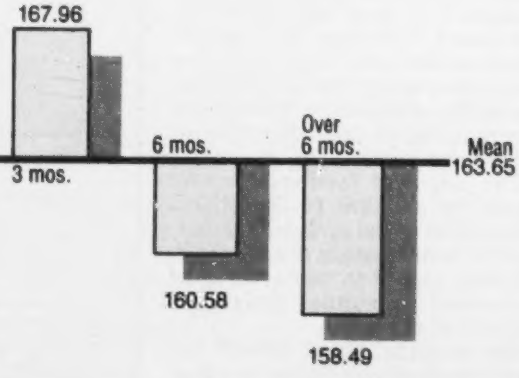
Job satisfaction & profit-sharing for managers



Job satisfaction & profit-sharing for hourly employees



Job satisfaction & time since last raise



PERSONNEL POLICIES

Programs fizzle at the store level

☐ Supermarket companies spend millions of dollars on personnel-oriented activities, but are they really getting their money's worth? To judge by the effect some of these programs have on employees' job satisfaction, the answer must be a resounding "No!"

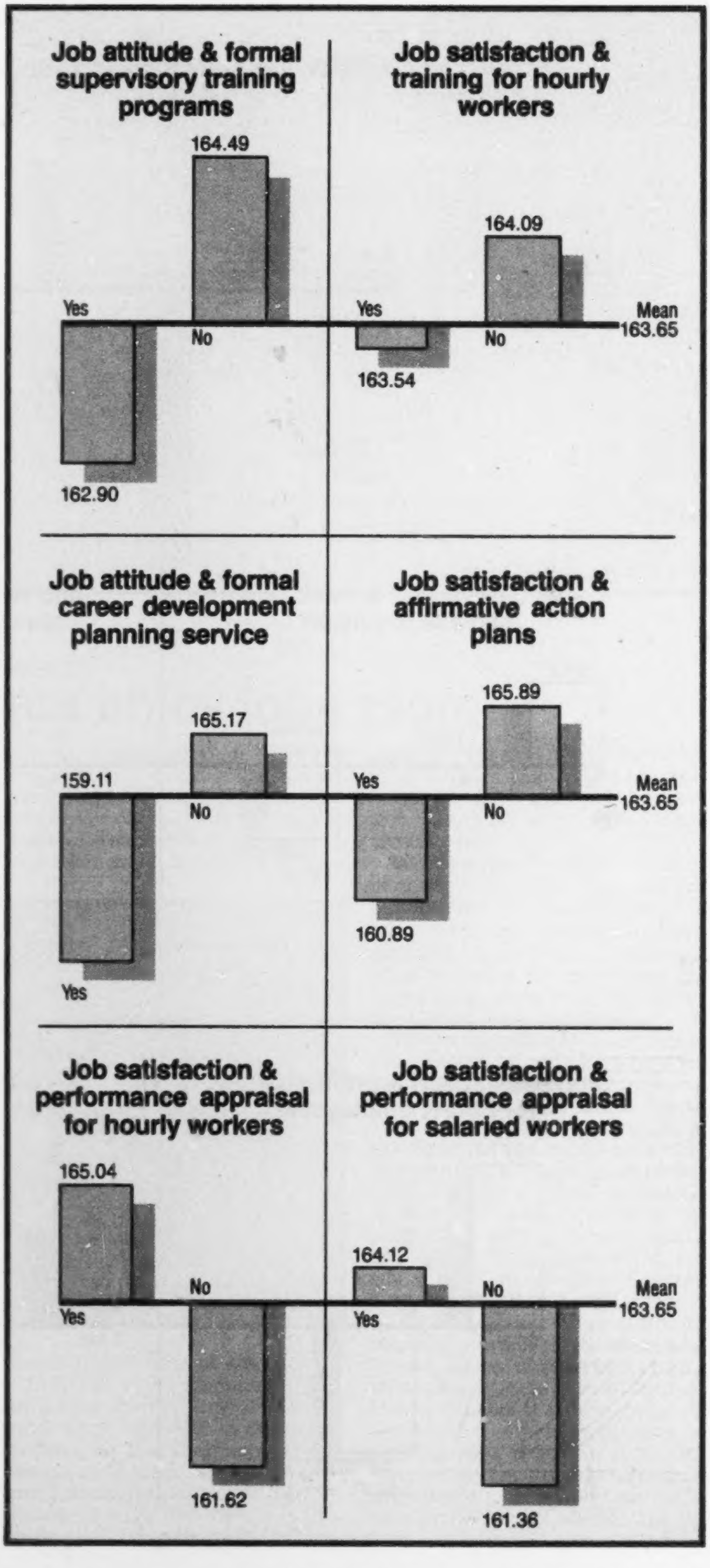
Affirmative action offers a pointed example of the problem. Although 53% of the food retailing operations participating in the study have affirmative action plans, the results can only be characterized as spotty at best. Women are underrepresented at the management level, and minority group members evidence areas of frustration that are not getting treated by corporately sponsored affirmative action thrusts.

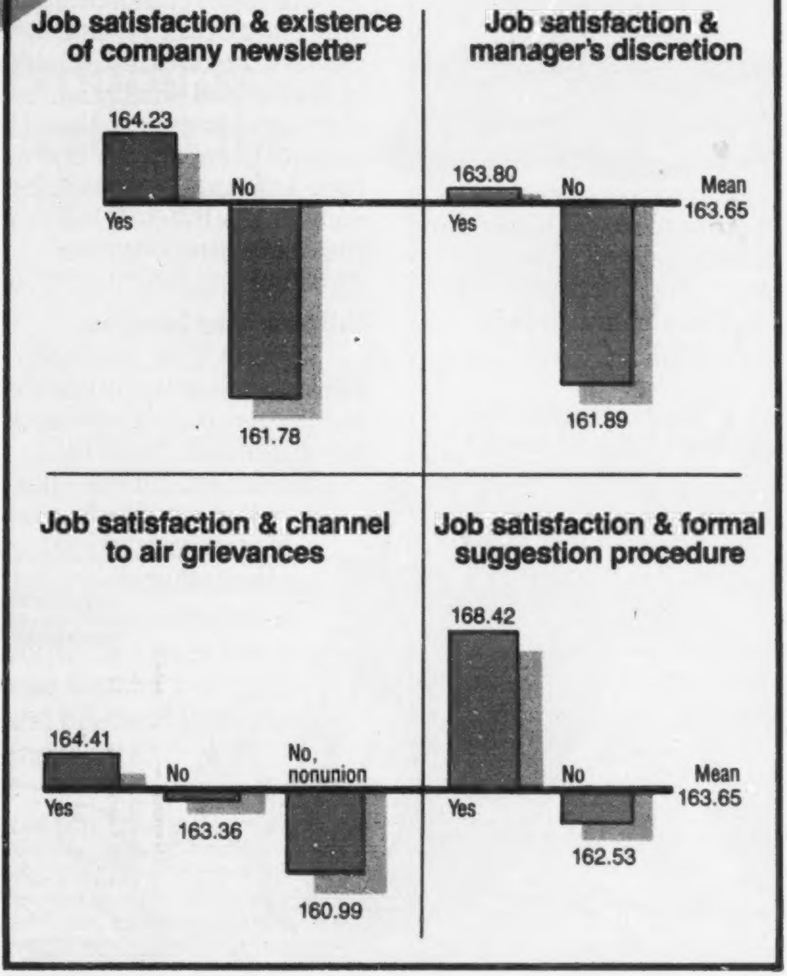
> **'Most companies are so busy trying to achieve corporate goals that they lose sight of the rights and needs of individual employees.'**

Even worse, the level of job satisfaction is actually lower at supermarkets that have affirmative action than it is at stores that are not active in this area. This should be viewed as a worker reaction against the quality of implementation of the program, rather than an attack on the concept itself.

The negative feedback is not caused by a desire to perpetuate inequalities in the system. The fact that the same pattern of apathy exists with regard to much less controversial personnel programs makes this obvious.

For example, about 25% of the food retailing companies studied have instituted formal career devel-





Job satisfaction & existence of company newsletter

Job satisfaction & manager's discretion

Job satisfaction & channel to air grievances

Job satisfaction & formal suggestion procedure

opment programs. Yet these efforts have no discernible impact on job satisfaction in the work force. In fact, the results are completely the reverse. Workers at companies with career planning and development setups have a lower level of satisfaction, just 159.11, than those employed by firms that are inactive in this area.

Worker training yields yet another instance. Logically, better training for managers should lead to greater satisfaction for those who work under them. Unfortunately, it doesn't quite work out that way. Satisfaction scores are lower, not higher, at stores with supervisory training (about 53% of the companies).

Does anything work? Programs that aim at increasing the communication between management and its work force often have a positive effect on satisfaction. Performance appraisal procedures for hourly workers, functioning at 51% of supermarkets, have a strong positive effect. Workers who get periodic review have a satisfaction level of 165.04, vs. 161.62 for those who don't.

Establishing a formal suggestion procedure is one of the easiest ways for a retailer to improve employee satisfaction. Anyone who doubts workers' desire to communicate with management should check the disparity in satisfaction level between workers at companies with suggestion systems and those at companies without such a system.

Even issuing a company newsletter can increase worker satisfaction. It makes company personnel feel that the bosses are doing something—and that they are involved with the needs and desires of the firm's work force. ☐

ATTITUDES BY JOB TITLE

Work adds most to employee satisfaction

☐ It will probably surprise no one to learn that managers have a higher level of job satisfaction than nonsupervisory workers, or that the store manager is by far the most satisfied employee in the supermarket. The really intriguing question—one that has far-reaching consequences for the food retailing business as a whole—is: What makes workers in one job more satisfied than others who perform a different function?

Many supermarket middle- and top-echelon executives probably believe that they already have the answer to this one. The difference in salary between managers and nonmangers, they would say, explains the difference in job satisfaction.

That may indeed sound like the obvious answer, but the employee attitudes study strongly indicates that it is not the correct one. Rather, analysis shows that the work itself, not pay, is the most important factor contributing to worker job satisfaction.

Collectively, store-level managers compile a satisfaction score of 182.94, which is substantially above the supermarket industry average of 163.65. Nonmanagement personnel, meanwhile, have an average level of satisfaction of 160.58.

Satisfaction index: Five major components—work, promotions, co-workers, pay and supervision—are totaled to derive the satisfaction index. Breaking down satisfaction scores to their component parts shows that although managers are more satisfied with their pay than are the people whom they supervise, the difference is relatively minor in light of the disparity between the totals for each.

Similarly, managers and nonmanagers aren't all that different when it comes to their degree of satisfaction with co-workers and supervision. Nonmanagers' scores in these two areas, taken together, are only 4.85 below the managers'.

The difference in satisfaction levels between managers and nonmanagers really boils down to just two areas: work and promotions. These two areas account for nearly 68% of the difference.

The attitude toward the nature of the work itself is the single most important determinant of overall satisfaction. For example:

- 77% of assistant store managers believe their work is "creative"; only 35% of bakery clerks share this opinion.
- 78% of store managers characterize their work as "fascinating"; only 25% of checkers feel this way.

The importance of the employees' attitude about the work itself becomes even clearer when the satisfaction levels of three sets of paired jobs are examined. Butchers are more satisfied than meat wrappers, checkers more so than baggers and bakery production workers more than bakery clerks.

Yet, the differences in pay between the members of each pairing is not the primary cause. In fact, in two out of three cases, the holders of the secondary jobs have more positive feeling about their pay.

Promotions, as previously mentioned, is the other area in which the attitudes of managers and nonmanagers diverge sharply. This reflects the fact that company management does much more to monitor and evaluate salaried workers than hourly employees. There appears to be a feeling among nonmanagers that the people in charge are not keeping in touch enough, and this undoubtedly accounts for the more negative feelings about their promotion potential expressed in the study. ☐

Job satisfaction: managers vs. nonmanagers

	Work	Promotions	Co-workers	Pay	Supervision	Total
Managers	36.61	31.89	40.11	32.63	41.70	182.94
Nonmgrs.	29.23	25.09	38.89	29.72	39.05	160.58

Job satisfaction: by job title

	Work	Promotions	Co-workers	Pay	Supervision	Total
Store mgr.	39.49	35.95	43.21	38.02	45.87	202.55
Ass't. store mgr.	36.75	35.04	40.16	34.05	41.55	187.55
Dep't. mgr.	35.82	29.84	39.28	30.76	40.66	176.35
Mgt. trainee	33.25	34.75	39.15	31.56	41.80	180.51
Checker	26.33	23.84	38.74	32.39	37.12	158.42
Bagger	24.93	27.27	38.60	25.52	36.66	152.98
Butcher	33.63	28.02	40.37	27.26	37.28	166.55
Meat wrapper	29.72	20.82	40.84	28.19	39.50	159.07
Bakery prod.	33.15	25.46	40.37	25.66	38.93	163.57
Bakery clerk	27.54	21.70	39.50	25.67	39.23	153.63
Grocery clerk	27.10	26.58	36.62	28.94	36.81	156.05
Produce clerk	31.00	27.76	40.93	29.71	38.26	167.65
Deli clerk	28.80	24.37	39.87	28.45	39.74	161.23
Dairy clerk	27.82	24.37	35.47	26.98	36.55	151.18
Maintenance	27.43	22.97	34.34	26.23	36.91	147.89
Receiving	31.54	28.08	37.42	26.36	38.76	162.16
Bookkeeper/ courtesy clerk	31.67	26.65	39.43	35.25	41.32	174.32
Other	30.55	27.59	39.92	30.40	40.84	169.30
Avgs.	29.39	26.55	39.04	30.12	38.54	163.65

Acknowledgements

A major portion of the Employee Attitude Survey was funded by TV Guide, *with additional funding provided by Lebhar-Friedman Publications Inc. The study was conducted by SHR International Inc., Mill Valley, Calif.*

Findings of the Employee Attitude Survey will be presented this month in Las Vegas, Nev., at the annual Food Marketing Institute Mid-Winter Executives Conference.

The participants

A total of 85 supermarket companies participated in the 1980 Employee Attitude Survey. Almost 19,000 questionnaires were sent to employees in 264 stores operated by the 85 companies, in 44 states.

There are 39 single-store participants:* ABC Markets, Bashas Market, Brockelmans Market, Buehler Food Markets Inc., Cash and Carry Foods Inc., Consumers Market, D&W Food Centers Inc., D'Agostino Supermarkets, Dan's Foods Inc., EW James and Sons, Easter Enterprises, Farmers Union Co-op Assoc., Flotken's Market, Foods Company Markets Inc., Grand Central Markets Inc., Great Scot Inc., Gromer Super Markets, Harold Friedman Inc., Hillman's Inc., King's Super Markets, Lewis & Coker Inc., Lloyd's Shopping Centers Inc., "M" System Food Stores Inc., Nuway Market Inc., O'Neil's Marketing Inc., Phillip's Food Centers Inc., Piggly Wiggly Puget Sound Co., Price Brothers Inc. Rodhes IGA Foodliners, Ronetco Supermarkets, Scotchmons Stores, Scotts Corner Market Inc., Sooner Foods inc., Supermarkets of New Mexico, Tradewell, Wally's Inc., Western Supermarkets, The Westside Market.

There are 37 multistore participants:* Albertson's Inc., Allied Supermarkets, Big Bear Stores Co., Brockton Public Markets Inc., The Cullum Companies Inc., Food World Inc., Foodarama Supermarkets Inc., Giant Food Inc., Giant Supermarkets Inc., The Great A&P Tea Co., Hannaford Bros. Co., Jitney Jungle Stores of America, The Kroger Co., Marsh Supermarkets Inc., Mayfair Supermarkets Inc., Fred Meyer Inc., Milgram Food Stores Inc., John C. Groub Co., Nash-Finch Co., National Tea Co., Piggly Wiggly Southern Inc., Price Chopper Supermarkets, Publix Super Markets Inc., Ralph's Grocery Co., Red Food Stores Inc., Red Owl Stores Inc., Schnuck Markets Inc., Seaway Food Town Inc., Sentry Markets Inc., Shopwell Inc., Smith's Management Corp., Star Supermarkets Inc., Stop and Shop Companies, Supermarkets General, Thorofare Markets Inc., Tradewell Stores Inc., Von's Grocery Co.

* Several organizations asked to remain anonymous.

Hold-up! New study shows how to avoid it

Chains hype produce to sell super harvest

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
March 1980

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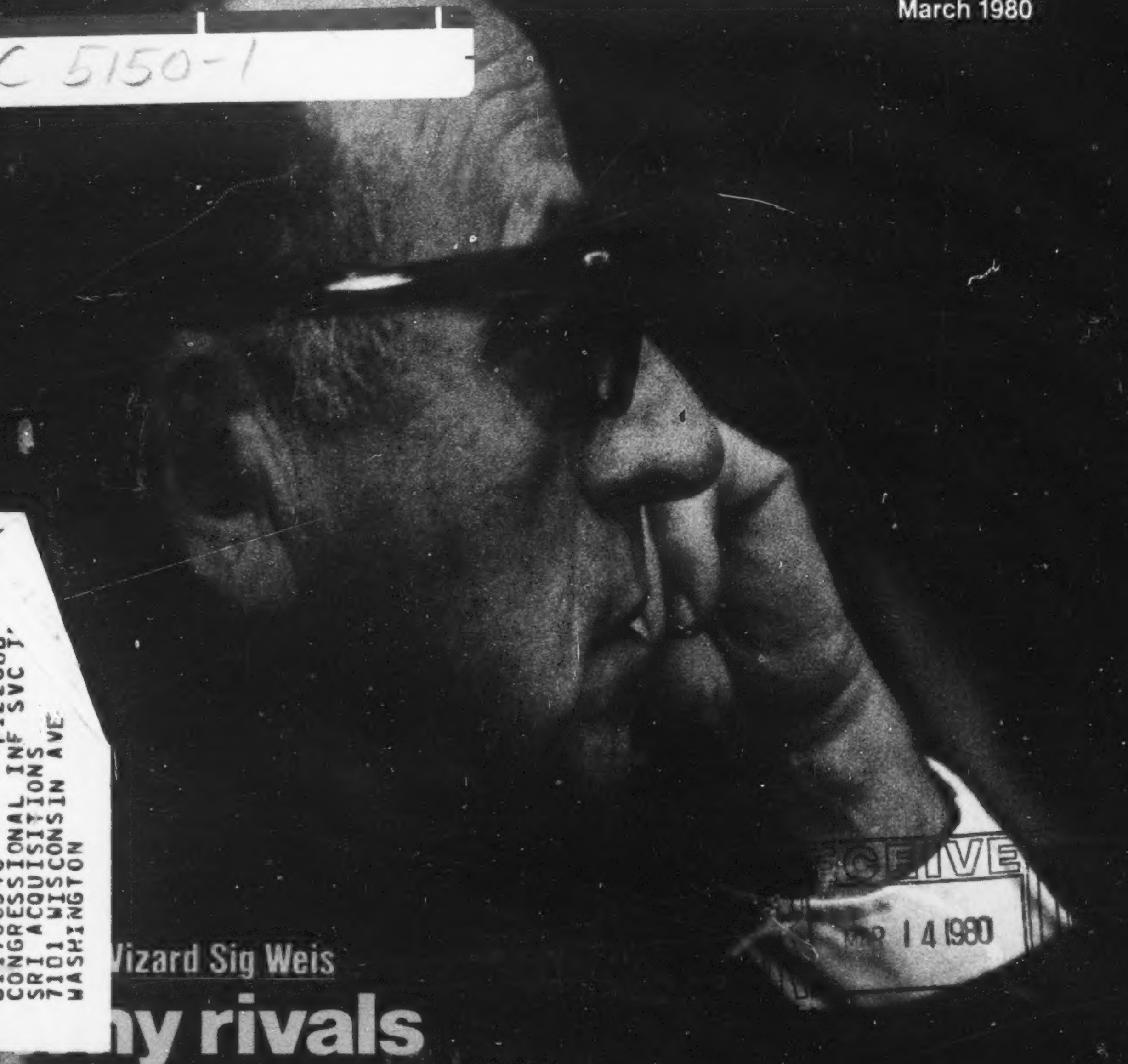

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Chain Store Age
Supermarkets

46 1980 Produce Manual

The produce department is fast becoming the main cog in the supermarket wheel, with its profitability and consumer push to nutrition and fresh. *CSA* examines the latest in merchandising, labeling and commodities outlook.

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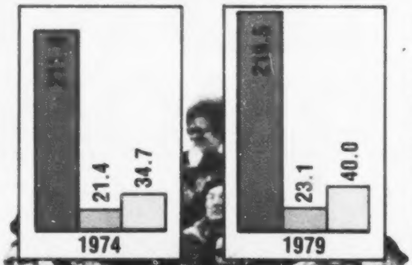
Chains plan new expansion in the Sunbelt

Lower construction and fuel costs, combined with high population growth, stimulate warm-weather area

☐ Unlike the Israelites who wandered 40 years in the desert, supermarket operators know the exact location of their "promised land." It's the American Sunbelt, the booming region that lies south of the Mason-Dixon line extended west to the Pacific Ocean.

While Northeast and Midwest retailers slug it out for market share in slow- and no-growth cities like New York, Philadelphia, Chicago and Detroit, Sunbelt chains luxuriate in a climate extremely favorable for expansion. Apart from a few exceptions like Pathmark, companies trading predominantly in the Sunbelt wrote most of the industry's success stories during the 1970's. The rise of Kroger and Safeway can be attributed, at least in part, to the strong commitment both made to developing warm-weather markets. Conversely, some of the troubles that beset chains like A&P and Food Fair resulted from the difficulty they experienced in maintaining growth in the somewhat stagnant Northeast.

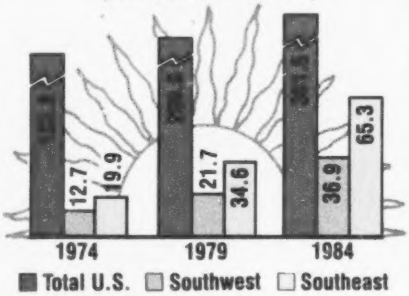
Sunbelt shines in population growth (in millions)



Several factors contribute to the success of Sunbelt supermarketers. The most important of these is the steady rise in the region's population. Between 1974 and 1979, total United States population increased only 3.6%. By comparison, it swelled 15.3% in the Southeast and nearly 8% in the Southwest over the same period of time. This explosive expansion provides a solid basis for chain growth that is often lacking in other parts of the nation.

"We have seen the Sunbelt states grow more rapidly than other areas of the country," says Vincent P. Barabba, director of the Bureau of the Census. "The fastest-growing states in this area are Nevada, Arizona (up 33% between 1970 and 1978), Florida, New Mexico and Texas." In fact, Barabba predicts that Texas will emerge from the upcoming 1980 census as the third most populous state, displacing Pennsylvania.

Food store sales (in billions of dollars)



Source: FMI, *CSA* estimates

Overstoring, a chronic problem in the Northeast and Midwest, is not as critical in the Sunbelt. For example, supermarkets in the Southwest generated 70.9% higher sales in 1979 than in 1974—with 19.2% fewer units to divvy up the volume. Performance in the Southeast wasn't quite as spectacular. Still, many non-Sunbelt retailers would drool at the prospect of 10.9% fewer supermarkets sharing 73.9% higher sales.

The result is that the Sunbelt has become *the* place to build new stores. The Food Marketing Institute reports that more than half of all supers constructed in 1978, 52.1%, were located in the Southeast, and 11.8% built in the West.

Lower construction costs in the warm-weather areas are helping to spur this building boom. The typical retailer spends $250,000 less per unit to open a supermarket in the South than he would in the North Central region. Looking at it another way, the same supermarket that costs $24.00 per square foot in the South would be $27.15 per square foot in the North and $36.58 in the Midwest.

The lower cost of energy in the Sunbelt doesn't hurt, either. Not only is the power to run the stores cheaper, but so is gasoline for customers' cars.

Getting into the act. The rest of the country—and the world—have taken full notice of the golden opportunity for growth present in the Sunbelt. Buying an existing operation offers instant entree to the region, and this is the path chosen by several companies. These include:

- **Cavenham.** The British-based owner of Grand Union (a chain already strong in Florida) recently acquired Colonial Stores headquartered in East Point, Ga., and is in the process of making its first foray into Texas through the $27.2-million purchase of J. Weingarten of Houston.
- **Etablissements Delhaize Fréres et Cie la Lion.** Having now assimilated its earlier purchase of Foodtown, Salisbury, N.C., Delhaize has now assumed control of another Sunbelt chain, Alterman Foods, a top competitor in Georgia.
- **Ahold.** Bi-Lo, Mauldin, S.C., acquired by this Dutch company in 1977, is now extending its territory within the Sunbelt by opening two supermarkets in suburban Atlanta.
- **Byerly.** Reaching out from its stronghold in the frozen North, this Edina, Minn., retailer has acquired Heathman Foods, a two-store operation in the Atlanta area. "If the two stores are successful," says Don Byerly, "we would have an interest in gaining additional sites."

Sunbelt forecast: Despite the continuing threat of a recession, many of the regional and national chains active in the Sunbelt plan to keep on expanding during 1980.

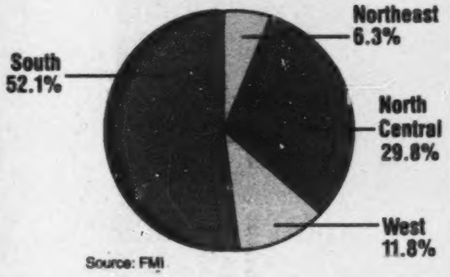
Southern California, for example, will see a high level of construction by both Lucky and Ralphs this year. Lucky will open a chainwide total of 200 units, most of them in California with some slated for Texas. For certain, Lucky will also be adding 911,000 sq. ft. of warehouse space in California, which will undoubtedly pave the way for further expansion over the next few years.

Ralphs will open 16 units, compared to just two in 1979. Some of these stores, which are in the superstore class, will be part of the chain's move into the San Diego market.

Also eying San Diego is Vons, which hopes to pass the current leader in the city, Safeway, in market share during this year. The El Monte, Calif., chain is expected to begin construction of a satellite warehouse to service its stores there within the next 18 months.

The West Coast is the next target for the Jewel T Discount Grocery division of Jewel Cos. A company spokesman declined to comment on the possibility that Jewel will try to invade with supermarkets as well, but the retailer's recent attempt to acquire Pay-Less Drugs indicates that this region figures prominently in corporate plans. (See related stories elsewhere in this issue for details.)

South has highest percentage of new stores by region



Source: FMI

Texas, especially Dallas, Houston and San Antonio, could become a major battleground between entrenched regional chains and powerful national operators.

One of the most active chains in Texas will be Kroger. The Cincinnati giant plans to build four superstores in Dallas, three in San Antonio and 15 in Houston, where it hopes to supplant Weingarten as the market leader.

Houston ranks as one of the true plums within the Sunbelt. The city continues to grow rapidly, and it is about as free from overstoring as any major city in the United States.

Weingarten's plans are unclear and will remain so until the Government rules on Cavenham's takeover move. Observers contend that the one-time runaway sales champ will have to step lively just to stay abreast of competition. The chain is plagued by too many old stores, so extensive remodeling and new construction would appear to be high

Who's expanding in the Sunbelt?

	Number of stores		
	1976	1980	% change
Alabama			
Bruno's	54	50	− 7.4
Delchamps	49	50	+ 2.0
Dixieland	42	45	+ 7.1
Winn-Dixie	110*	138	+ 25.5
Arizona			
A. J. Bayless	57	60	+ 5.3
Alpha Beta	10*	26	+160.0
Fry's	24	30	+ 25.0
Lucky	8	10	+ 25.0
Safeway	53	53	—
Smitty's	11	17	+ 54.5
California (southern only)			
Albertsons	39	87	+123.0
Alpha Beta	190*	218	+ 14.7
Boys Markets	37	40	+ 8.1
Fazio	45	0	−100.0
FedMart	31	42	+ 35.5
Hughes	26	35	+ 34.6
Lucky	131	115	− 12.2
Market Basket	67	70	+ 4.5
Ralphs	93	99	+ 6.5
Thriftimart	60	44	− 26.7
Vons	129	162	+ 25.6
Florida			
A&P (1)	56	28	− 50.0
Albertsons (Southco)	7	35	+400.0
Food Fair	175	136	− 10.9
Grand Union	51	63	+ 23.5
Publix	201	234	+ 16.4
Winn-Dixie	202	228	+ 12.9
Georgia			
A&P	20*	34	+ 70.0
Alterman Foods	99	91	− 8.8
Colonial (2)	141*	0	−100.0
Family Center	—	18	—
Grand Union (2)	0	120*	—
Kroger	50*	58	+ 16.0
Piggly Wiggly Southern	56	68	+ 21.4
Winn-Dixie	94*	100	+ 6.4
Louisiana			
A&P (3)	89	87	− 2.2
National	56	58	+ 3.6
Schwegmann	10	10	—
J. Weingarten	15	13	− 13.3

priorities for the prospective new owner.

Meanwhile, Randall's and Gerland's, a pair of tough local chains, are thinking superstore. Each plans

	1976	1980	% change
North Carolina			
A&P	140	112*	− 20.0
Foodtown	28	90	+221.4
Grand Union (2)	60	68	+ 13.3
Harris-Teeter	52	59	+ 13.5
Ingles	40	72	+ 80.0
Kroger	—	9	—
Lowes	34	63	+ 85.3
Winn-Dixie	46	60	+ 30.4
Oklahoma			
Family Markets	19	11	− 42.1
Humpty	40	20*	− 50.0
Safeway	99	103	+ 4.0
Scrivner	71	63	− 16.9
South Carolina			
Bi-Lo	63*	79	+ 25.4
Grand Union (2)	59*	32	− 45.8
Harris-Teeter	9	16	+ 77.8
Kroger	0	6	—
Winn-Dixie	70*	75	+ 7.1
Tennessee			
Giant Food Markets	15	23	+ 53.3
Kroger	50*	54	+ 8.0
Malone & Hyde	37	44	+ 18.9
Red Food	30	34	+ 13.3
White Stores	39	42	+ 7.7
Texas			
Brookshire	50	62	+ 24.0
H E. Butt	136	150	+ 10.3
Cullum	115	120	+ 4.3
Furr's	68	68	—
Gerland's	27	30	+ 11.1
Handy Andy	50	50	—
Kroger	104*	116*	+ 11.5
Lucky	17	23	+ 35.3
Minyard	40	52	+ 30.0
Piggly Wiggly Red River	61	69	+ 13.1
Randall's	7	13	+ 85.7
Safeway	243	298	+ 22.6
Southco/Skaggs (4)	52	60	+ 15.4
J. Weingarten	103	104	+ 1.0
Winn-Dixie	96*	80*	− 16.7

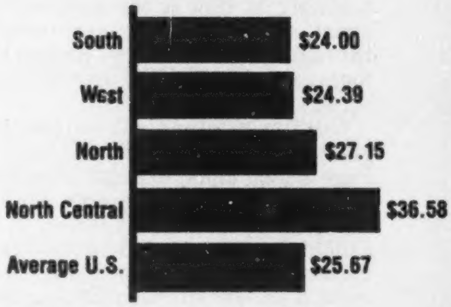
* *CSA* estimate

1. Includes a few units outside Florida.
2. Reflects merger of Grand Union and Colonial Stores.
3. Incomes some Alabama, Mississippi and Florida units.
4. Total is for all units operated by Skaggs and Albertson's Southco division before and after dissolving their joint venture.

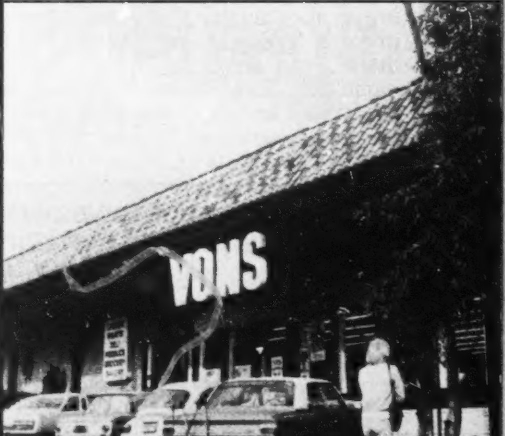
Source: *CSA Research*

Publix
Fruit Gift Center
FLORIDA
ix, the place for produce.

Lower construction costs buoy Sunbelt growth
(per square foot)



Source: FMI



Florida's Publix (top) is expected to continue expansion; California's Vons is eying San Diego market.

Ralphs
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Hughes MARKETS

Hughes, Ralphs are solid in southern California; expansion-minded G.U. sees bright future in Sunbelt.

to open a unit of more than 40,000 sq. ft. sometime this year.

Large stores are also the order of the day in Dallas. Minyard will go the superstore route with several new units, a big change for a chain that previously built units in the 25,000-sq.-ft. range. Less surprisingly, in view of the company's great success with superstores throughout the country, Kroger's four new units will all be over 30,000 sq. ft.

Cullum Companies, enjoying great success with its Tom Thumb-Page combo units, expects to build two more in Dallas this year. Both will be approximately 43,000 sq. ft. Cullum has also moved to solidify its image in Texas by bringing the eight Rylander stores in the Austin area under the Tom Thumb banner. "With our combination stores coming on stream later this year," says division manager Joe Cutrer, "it made good sense to change our name now. Tom Thumb-Page is already well known in this area, and we would have had to establish a new identity as Rylander-Page, which we didn't want to do."

Winn-Dixie, a factor in Texas since its purchase of Kimbell, will try to expand into the Dallas market this year from a solid base in adjacent Fort Worth. Six units are scheduled to open in Big D in 1980.

Elsewhere in the Sunbelt, Grand Union and Publix figure to be among the most visible operations in Florida. Grand Union will build a 52,000-sq.-ft. superstore in Miami with an in-store restaurant and is also likely to attempt to strengthen its north Florida position. Plans at Publix are still under wraps, but there's no reason to believe the company will slacken its expansion pace of the last few years.

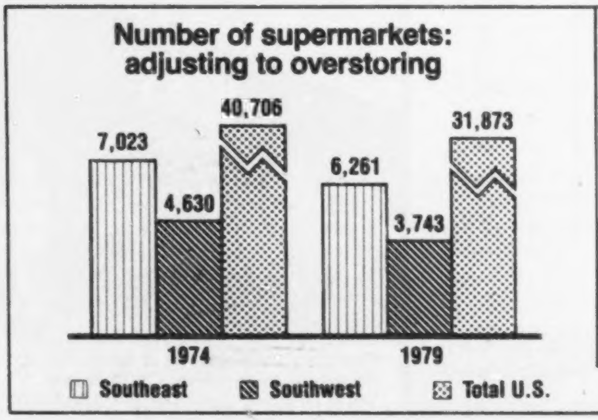
Trouble ahead? Right now, everything looks rosy, but that could change over the next 12 to 18 months. Los Angeles, Phoenix and Atlanta could all become price war battlegrounds if the recession hits harder than expected.

Southern California, calm in the wake of Fazio's withdrawal, looks especially vulnerable. The always intense struggle for market share could erupt into widespread price-cutting at any time.

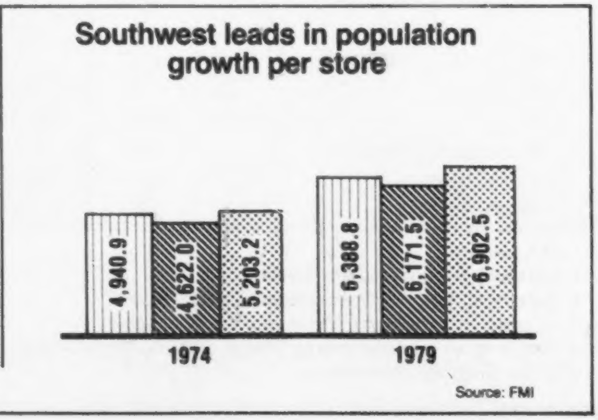
Overall, however, the outlook for supermarketing in the Sunbelt looks very good for 1980 and several years beyond. Unless area growth slows—or the chains overexpand and inundate the region with too many supermarkets—the Sunbelt should continue to be the focus of expansion in the food retailing business. ☐

—Arnie Katz

Number of supermarkets: adjusting to overstoring



Southwest leads in population growth per store



Source: FMI

Produce '80: Fresh

Consumers have gone from choosy to choosier, transportation costs increase daily, prices fluctuate wildly and supply has gone from famine to feast. The result is that marketing and merchandising plans are changed more often than the bedsheets at a Holiday Inn. Yet things are normal in the produce department this year.

"We're not supposed to be going into the last week of January without cold weather," muses Publix' produce director Ken Kimball, from sunny Miami. "We're just going to have to move as much product as we can."

Moving product will be the central problem faced by produce merchandisers. Supplies of fruits and vegetables this year range from adequate to extraordinary, and wholesale prices have tumbled. Any sales gains will have to be in tonnage.

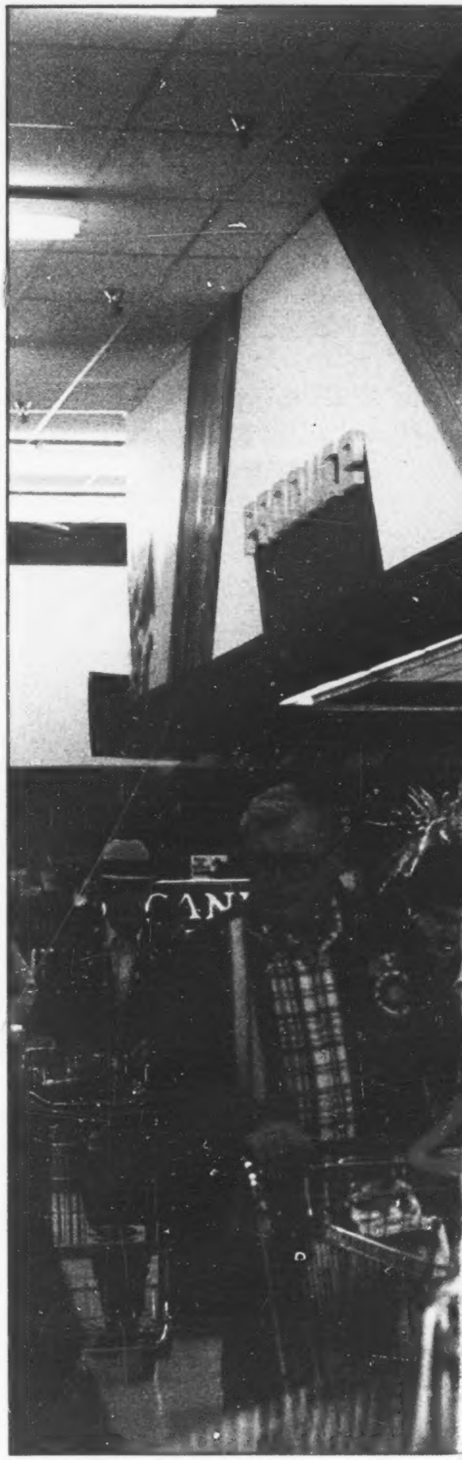
Last year the produce department contributed 7.1% to supermarket sales and 21.5% of the gross profit, according to the Food Marketing Institute, upholding its position as a bottom-line leader.

Fortunately, the public is in a produce-buying mood. "Consumers are getting more and more oriented to fresh," says Dave Diver, produce merchandiser for Hannaford Bros., Portland, Maine. "The more concern about inflation, the more consumer desire to get good product. Day to day, fresh produce is always meeting those concerns, because there is always something that represents a value."

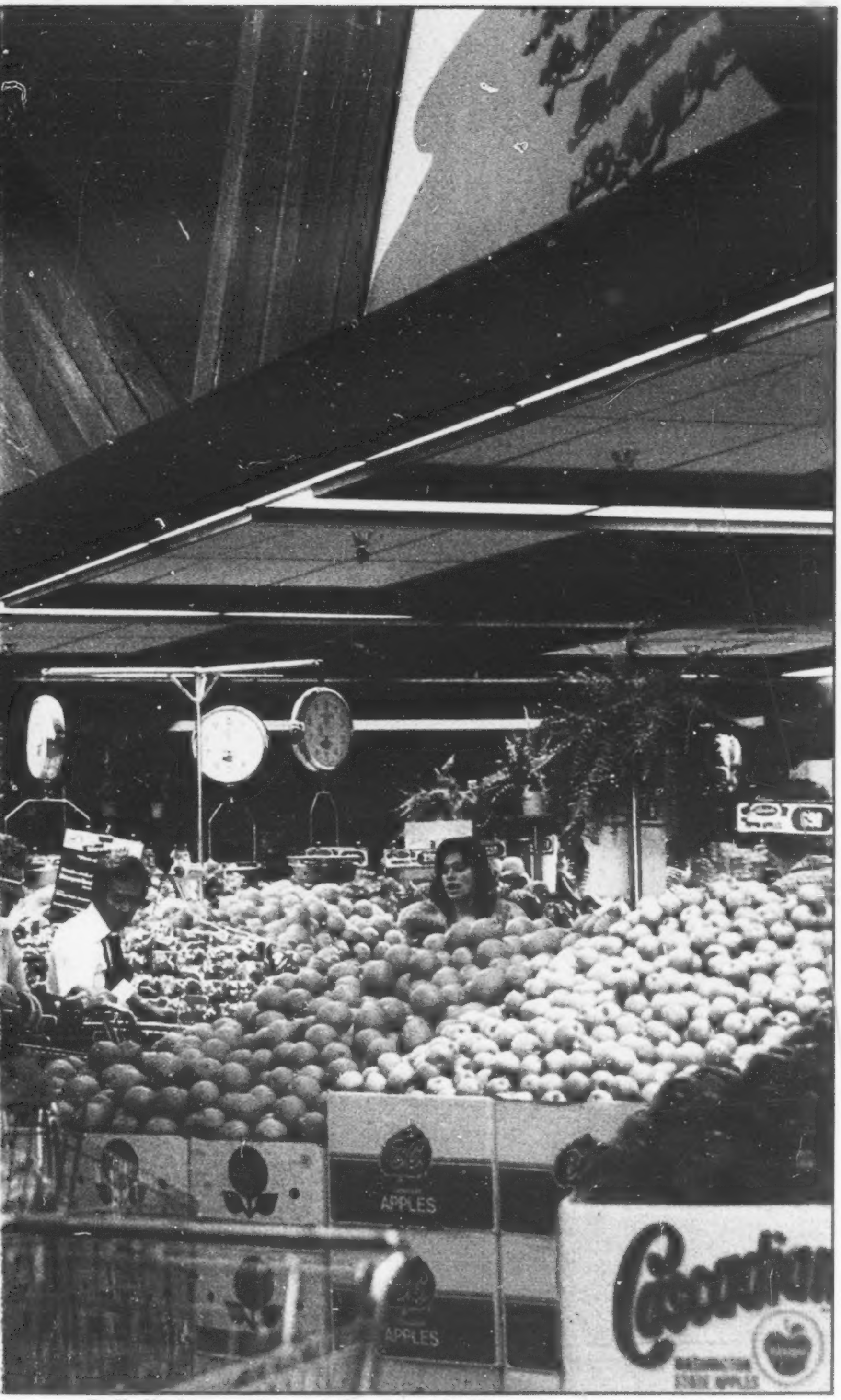
Enhancing the shift toward fresh is the snowballing interest in nutrition and "natural" foods, a trend some supers are actively promoting. Proposed nutritional labeling for fresh produce may boost that image, if the F.D.A. and the industry can agree on the specifics, as they have for potatoes.

Spaced out: To meet these increasing economic and consumer demands, the emphasis on the retail level is to larger, self-contained

Average department in supers built in '78 increased 34% over '77, with growing trend to "boutique" look.



moves up front



Bulk displays, wider varieties, are at forefront of expanding sections.

No matter how you look at it, the citrus crop is bountiful.

departments backed by more active promotion.

"Produce is getting more important space, both from a physical and marketing standpoint," reports Diver. "It makes a significant impact on the customer." Hannaford tries to "surround the customer in produce," using a semicircular alcove with wide tables where the department is in the rear of the store, and using the entire corner, boutique-style, in the more desirable front position.

"We try to give produce first position wherever possible," says Gary Nelson of Nash-Finch, Minneapolis. In a 30,000-sq.-ft. store, Nash-Finch will use about 70 linear feet of refrigerated case, a 16-ft. dry produce case and four 8x4 feature tables.

Nationwide, FMI reports that produce departments in new supers grew 34% between 1977 and 1978, to an average of about 118 linear feet per store.

All that space has given impetus to expanding individual varieties of produce and the overall mix. The clear winner here has been specialty or exotic produce, which continues to gain momentum and space.

In Minnesota and North Dakota, where exotics used to be as out of place as suntan oil, Nelson reports he has "added drastically" to the specialty department and now has 40 selections.

"The exotic is becoming less exotic," says Diver of Hannaford. "Four years ago Granny Smith apples were considered exotic. No more. Now Chinese cookery, tropical fruits such as papayas, kiwi and mangoes are a big area."

Education of both the retailer and the consumer has been a big factor in the growth of exotic. Nash-Finch and Schnucks Markets, Bridgeton, Mo., both say recipe and information programs have increased sales of exotics.

Stop & Shop, Boston, found that exotics got a great boost from a sampler display at a popular city food festival. "It was enormously successful," reports spokeswoman Ellen Dubin. "Having the opportunity to sample had a direct impact on purchasing."

Promotion always has a big impact on purchasing, whether for ginger root or just plain grapes. And demand for ad space this year will be more crucial than ever. Indeed, it appears the produce department is starting to find its way from the lower left corner to the top half of the ad page.

"When supply is bigger than demand," says Publix's Kimball, "it's our job to move as much of that surplus as we can, and one of the best ways is by advertising."

Normally, the Florida chain features four or five produce items in its weekly ads. Recently, the chain has pushed a dozen items and used a full-page promotion to move plentiful Florida citrus.

Nutrition is becoming an increasingly popular tie-in with print promotions. Although specific claims about nutritional content cannot be made right now, Jewel Cos. gives each promotion a tag line above or below the price. In addition to telling its customers it has Hawaiian papaya at 69¢ a pound, Jewel adds, "You get generous amounts of vitamins A and C in papaya."

Stop & Shop has one of the most advanced nutrition education programs in the business, and produce, one of the "four basic food groups," is a key item.

"Produce is one of the few areas where you are home free with nutritional information," says spokeswoman Dubin. "Produce and nutrition marketing are a natural marriage."

The company developed a produce-buying guide for consumers

Bountiful crops wreak havoc on some markets: "If the weather stays mild this could go on through the summer"

1979 Vegetable Performance in the Produce Department

Vegetable	Gross profit	% of produce sales	Turns per week per store
Artichokes	31.1	0.5	2.6
Asparagus	29.6	0.4	2.4
Beets (bunch)	33.9	0.2	1.5
Broccoli	42.1	0.6	4.6
Brussels spouts	37.9	0.4	1.6
Cabbage	46.7	1.5	11.0
Carrots	44.1	2.5	12.3
Cauliflower	36.7	0.6	2.8
Celeriac root	35.6	0.1	0.2
Celery	43.2	1.8	9.9
Chili peppers	36.8	0.2	0.9
Collards	40.2	0.2	0.9
Cucumbers	40.6	1.4	5.4
Dry garlic	43.1	0.2	0.9
Dry onions	49.9	2.6	12.5
Eggplant	43.2	0.5	1.9
Endive	38.7	0.2	0.9
Escarole	33.2	0.3	0.8
Ginger root	31.8	0.2	0.5
Green beans	35.1	0.7	3.3
Green onions	45.2	0.7	5.3
Green peas	33.5	0.4	0.9
Green peppers	40.5	1.5	6.8
Horseradish	33.1	0.1	0.4
Leeks	37.6	0.2	0.7
Lettuce	40.0	8.0	53.0
Lima beans	30.4	0.3	1.4
Mushrooms	32.5	1.3	6.1
Orientals	30.3	1.0	0.9
Okra	35.0	0.1	1.4
Parsley	29.0	0.2	1.1
Parsnips	38.4	0.2	1.1
Potatoes (loose)	41.1	2.1	16.7
Potatoes (bag)	35.4	8.2	75.5
Pumpkins	34.0	0.1	0.8
Radishes	41.7	0.4	4.3
Spinach	36.0	0.7	3.9
Squash	42.2	0.9	4.5
Sweet corn	37.8	1.7	4.9
Sweet potatoes	36.5	0.8	3.0
Tomatoes (loose)	44.0	4.6	20.3
Tomatoes (bag)	30.8	2.6	17.0
Turnip greens	35.1	0.1	1.4
Turnips	40.2	0.2	1.5
Watercress	33.4	0.1	0.5
All nuts	36.0	1.0	2.0
All others	40.0	1.0	1.0

Turns for seasonal merchandise computed on in-season base. Total sales contribution does not equal 100% because of accounting differences within sample group. Floral not included in summary.

Source: *CSA Research*

Movement to fresh has raised outlook for production and sales

that gives not only nutritional information but data on preparation and storage. Company officials say the campaign has worked well in making the public aware of the benefits of fresh.

The company has also taken some concrete steps to execute the sales end of the program. "We've gone bulk in areas we had not been bulk before, and we've expanded in variety and depth of selection. At one point we had seven varieties of grapes on sale, and it was dynamite," says Dubin.

The increase in depth meant adding more space to produce and a new signing campaign under the logo "Green Scene." "Produce" and "Fruits and Vegetables"-type signing are, in fact, fast giving way to more upbeat marketing-oriented signing such as "The Farm" (A&P), "The Kroger Garden" (Kroger) and "Farm Fresh Stand" (Jewel Cos.).

The reason is simple. Neglected for years, the produce department continued to pay back a high return on a small investment. Now that the investment is increasing, the prospects are even brighter. ☐

—Bill Saporito

Supply outstrips demand

☐ It snowed last year in Miami, remember? Florida growers do; so do growers in California, where nasty weather made a shambles of the lettuce and citrus crops.

One year later, the Floridians are complaining that it's too hot—the crops are maturing too fast—and the California boys are up to their navels in oranges and greens.

This combination of good weather, higher yields and increased acreage has caused commodity prices to take a dive that might not flatten out until the fall, according to Government, grower and retail sources.

Vegetables: Production of fresh market vegetables and melons increased 2% in 1979 due to higher yields, according to the U.S. Department of Agriculture. But area planted for winter crops has increased 10%, U.S.D.A. says, with increased production expected at 7%.

"I just returned from the Imperial Valley [California], and growers are sitting on some lettuce and broccoli because of the prices," says Jules Powell, a vegetable specialist with the U.S. Department of Agriculture. "I think there will be abundant supplies of all fresh vegetables."

The situation in Florida is similar. "We are having our best growing season in four years," says Dr. James Montelaro of the University of Florida's vegetable crops department. "We've shipped record amounts of tomatoes, and there's a good supply of sweet corn, peppers, eggplants, green beans, celery and lettuce."

Naturally, the rider attached to all forecasts is "provided we don't have a disaster," such as January 1979 when the big freeze struck.

Transportation costs are almost as unpredictable.

Part of the oversupply situation stems from changes in crop planting. Florida increased its winter tomato acreage 21% this season, and most of the new acreage has shown increased yields and better quality. The same is true with the Mexican crop. In fact, the supply is

Record apple crop spurs 7% increase in noncitrus supplies, but prices will probably remain high

1979 Fresh Fruit Performance in the Produce Department

Fresh Fruit	Gross profit	% of produce sales	Turns per week per store
Apples	41.2	6.6	38.1
Apricots	38.2	0.4	3.6
Avocados	42.4	1.3	3.7
Bananas	30.4	9.6	50.0
Blueberries	34.6	0.4	5.7
Cantaloupe	42.2	1.4	6.9
Casaba	35.0	0.1	1.0
Coconuts	49.2	0.2	1.4
Cranberries	31.4	0.5	2.3
Dates	34.3	0.2	1.4
Dried fruits	38.1	0.5	2.0
Grapefruit	36.0	3.2	4.2
Grapes	40.7	2.5	7.0
Guavas	32.5	0.2	0.8
Honeydew	40.4	1.3	3.6
Lemons	45.0	0.7	3.0
Limes	47.2	0.3	1.3
Mangoes	33.6	0.3	1.1
Nectarines	39.9	1.0	2.7
Oranges	37.2	4.7	27.3
Papayas	28.8	0.3	1.5
Peaches	41.4	1.9	4.8
Pears	40.3	1.2	3.0
Persian melon	31.3	0.2	0.8
Persimmons	30.0	0.1	1.2
Pineapple	44.1	0.5	2.7
Plums	42.4	0.5	3.6
Pomegranates	39.3	0.1	0.9
Prunes	42.1	0.3	2.2
Raspberries	36.0	0.2	1.5
Strawberries	27.2	2.7	14.5
Sweet cherries	33.8	1.4	3.0
Tangerines	36.4	1.2	3.2
Watermelon	34.2	1.5	5.5

Distance from source of supply will influence gross profit by a factor of + −5. Other figures are constant.

Source: CSA Research

FINANCIAL NEWS

Chain Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Foodarama	1 year	11/3	$ 413,016,000	+ 9.8	$ 780,000	−64	0.002
Grand Union	40 weeks	1/5	2,389,247,000	+38.0	23,595,000	+50	0.01
Thriftimart	40 weeks	12/31	322,655,000	+14.8	4,470,000	+71	0.018

Source: *Chain Store Age*

Supermarkets gain most profit ground

Based on the results for the most recent four quarters, supermarkets and convenience food stores are capturing a larger share of consumers' disposable income than other mass retailers.

In terms of sales gains, 49 supermarket chains collectively boosted volume 14.9% last year. Fisher Foods, with a 38.6% increase, and Albertsons, with a 30.1% increase, led the pack. In total 26 of the 49 reporting chains scored sales gains ahead of the food industry average of 14.9%.

Net earnings rose 32.2%, slightly ahead of the 30.7% net increase logged by the same chains a year earlier. The 49 supermarkets chains' bottom line brightened to a 1.2% share of sales vs. the 1.1% share shown in company annual reports for the prior 12-month fiscal period.

The seven reporting convenience store chains, listed in Management Horizon's retail performance update, posted a 21.5% sales gain. Profits increased 31.3% and bottom line earnings netted out a 1.9% of sales.

On a comparative note, restaurant/fast-food chains (42 companies) showed a definite downswing. Sales gains, profit gains and net earnings as a percentage of sales dropped.

Management Horizons' officials, in interpreting the results, point to the broadscale cutback in consumer spending for seasonal merchandise affecting the general merchandise chains and a sharp reduction in the number of trips to eat out brought on by the rising cost of gasoline and beef prices affecting the restaurant/fast-food sector.

Grand Union net seesaws

Net income for the Grand Union Co., a unit of Cavenham Ltd., fell 21% for the 12 weeks ending Jan. 5, 1980, compared to the third quarter ending Jan. 6, 1979.

Chairman and ceo James Wood said the lower net, which included the Christmas holiday period, resulted primarily from the elimination of earnings from the Grand Way general merchandise store division, which the company closed in July 1979.

However, net income for the 40-week period ending Jan. 5, 1980, increased almost 50% to $23,595,000 on a sales increase of 38%. The higher results represent the combined earnings of Grand Union and Colonial Stores, acquired by the company in the fall of 1978.

Sales for the third quarter increased 6% over a year earlier to $747,842,000. Sales for the nine-month period ending Jan. 5, 1980 were $2,389,247,000.

Supers vs. the rest

(Results for last 4 quarters by per cent)

	Sales gain (%)	Net earnings gain (%)	Net earnings as % of sales
Supermarkets	14.9	32.2	1.2
Convenience food stores	21.5	31.3	1.9
Discount stores	14.2	12.4	1.9
Variety stores	12.2	22.5	2.6
Drug stores	12.1	20.5	2.2
Rest./fast foods	15.6	13.6	3.5
All retailers	14.0	18.8	2.7

Source: Management Horizons

Foodarama earnings plunge in fourth quarter

Foodarama Supermarkets Inc. reports its net income for the year ending Nov. 3, 1979 plunged 64% to $780,000

The decline in earnings are attributed to the impact of double couponing, costs of opening new supers and closing one and a write-off of a bad debt.

Foodarama also reports a net loss for the fourth quarter ending Nov. 3, 1979 of $106,000, compared to a profit of $889,000 a year earlier. The company predicted the loss in early December when its board voted to omit quarterly dividend payments.

Remodeling program boosts Thriftimart sales

Thriftimart Inc. of Los Angeles reports record sales and earnings through 40 weeks ending Dec. 31, 1978. The company says its net income of $5.9 million ($6.66), a 71% increase, was the result of favorable consumer reaction to its remodeling program.

Sales for the current quarter and 40 weeks to date were $130.7 million and $322.6 million, respectively, an increase of 14.1% and 14.8% over the prior year.

Thriftimart says it spent $4.7 million on capital expenditures this year compared to $4 million last year, and opened two new Cash and Carrys.

Why the industry looks west for tomorrow's ideas

Scan/analysis: Today's big payback

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

April 1980

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CEO Don Ritchey

Lucky Stores plots 3 routes to make $10 billion

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age Supermarkets

33 **Special Report: America looks west**

West Coast food retailing has become synonymous with innovation in the last 20 years. This month *CSA* analyzes five key market areas and shows who's getting the biggest slice of the pie—and why.

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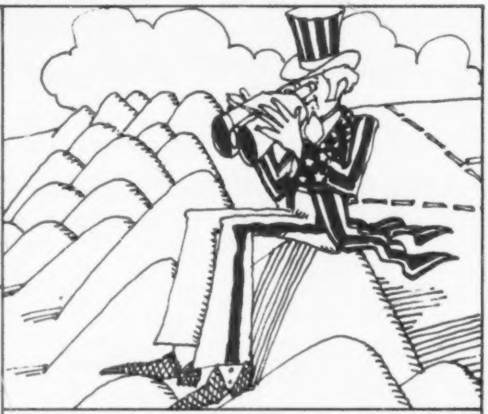

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CENTER
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America looks west for market leadership

West Coast supermarketers have provided the best in profit-building ideas since the early 60's

☐ In both good economic times and bad, West Coast supermarket operators have shown the rest of the industry the road to prosperity. The new approaches and directions developed in this region have consistently marked the way to higher sales and profits for retailers throughout the United States.

California's unprecedented growth created a climate in which many of the basics of what most retailers think of as the modern supermarket business first saw the light of day.

Forced to operate in the extremely fluid California environment, retailers have learned to put a premium on innovative and fresh approaches to solving merchandising and operations problems.

During the breakneck expansion period in the 1960's and early 1970's, western supermarketers pioneered while most supermarket executives still tried to navigate by "seat of the pants" reckoning.

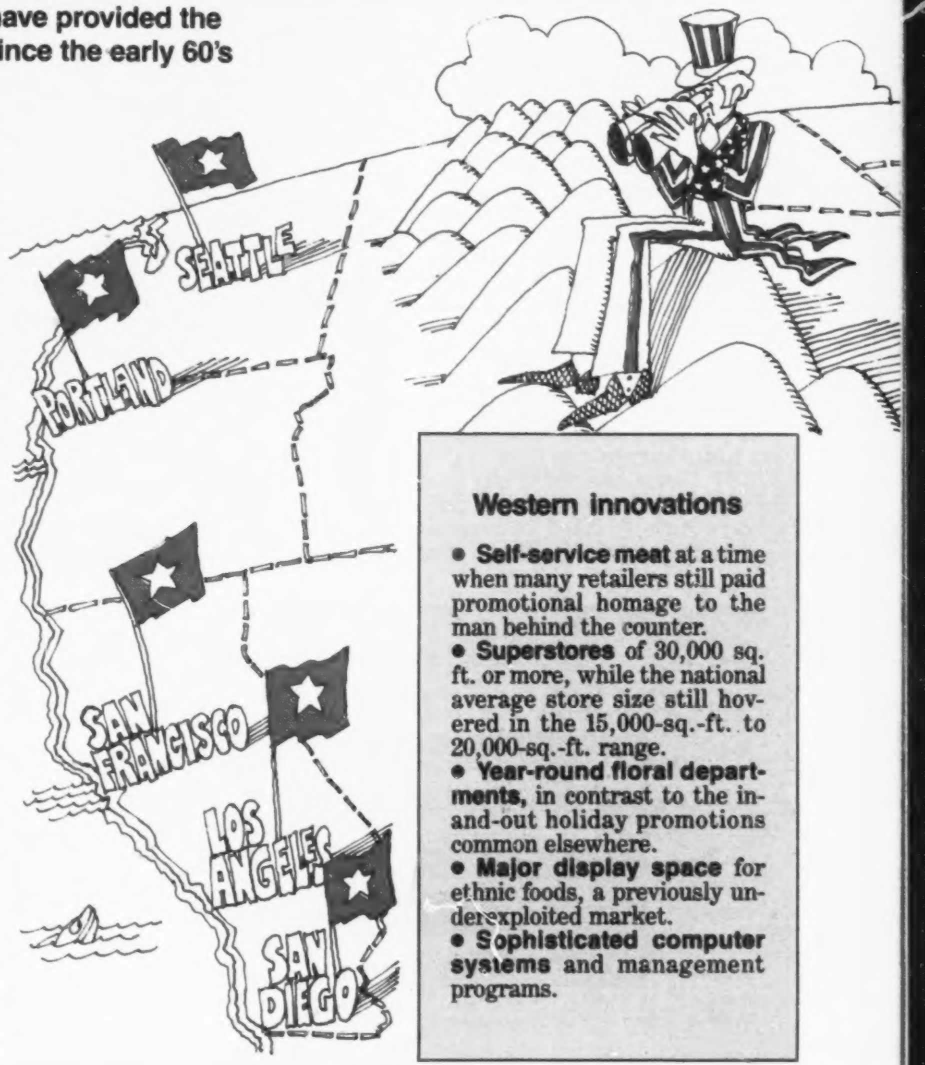
The mid-1970's ushered in a period of slower growth. There were still 500,000 new Californians every year, but worries about overstoring began to surface.

Western supermarketers responded every which way to increased cost and double-digit inflation. Up and down the coast they diversified into superstores, combination units, warehouse markets, limited assortment stores and more service-oriented conventional supers.

Operators in other regions have made similar moves, but nowhere are the stakes higher than in the West, because the region's share of total United States food sales has steadily climbed. *Sunset* magazine research pegs the West's 1979 share of total retail food sales at more than 20% of total United States volume of $168 million.

A food retailer must be good to survive in this type of environment, with its intense competition and rapid swings in consumer preferences.

West Coast supermarketers have not only survived, they have prospered. So it's little wonder that the rest of the nation's retailers look West for the best in profit-building ideas. ☐



Western innovations

- **Self-service meat** at a time when many retailers still paid promotional homage to the man behind the counter.
- **Superstores** of 30,000 sq. ft. or more, while the national average store size still hovered in the 15,000-sq.-ft. to 20,000-sq.-ft. range.
- **Year-round floral departments,** in contrast to the in-and-out holiday promotions common elsewhere.
- **Major display space** for ethnic foods, a previously underexploited market.
- **Sophisticated computer systems** and management programs.

Vons takes leader's role in Los Angeles

☐ This could be the year all the groundwork pays off big for Vons. The chain culminated a three-year drive to the top in 1979—from fourth place to a hotly contested first in share of market—and recorded sales of $1.5 million.

Vons, with a 14.4% share, leads Alpha Beta with 13.3%. Breathing hard on the neck of the leaders in this extremely competitive market is Ralphs with 13.2%.

"Vons has the momentum and the financial resources of Household Finance behind it," says a former member of the El Monte, Calif., operation's management team. "The halo effect has added believability to Vons' low-price claims and given them first crack at the best locations."

"Vons has an excellent, if not individually outstanding, management team," observes a southern California retailer, "but they have an important plus in their president, Ken Olsen, who is hungry to maintain market dominance. Look for Vons to stay on top for many years."

Needless to say, competitors don't agree. Especially Ralphs. Byron Allumbaugh, Ralphs chairman, is annoyed at market-watchers for being so figure-blind. "In the last three years we opened four stores and closed one, while 100 stores opened all around us. But in 1980 we are opening 16, and a year from now

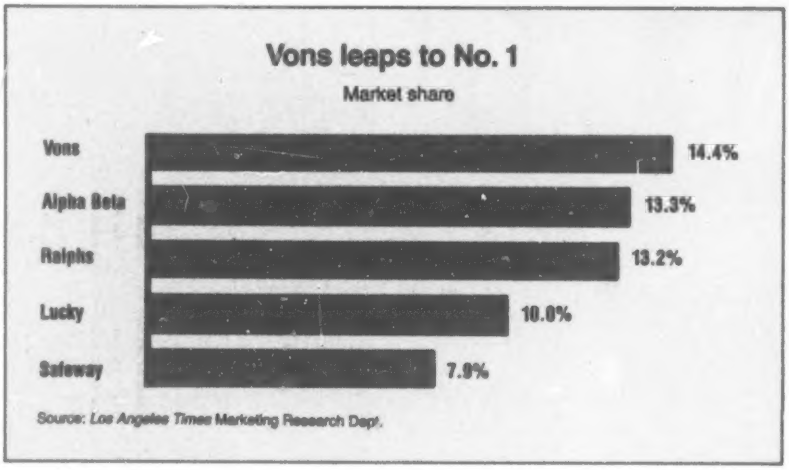
SHERMANS COVE

market share will be different."

Why did Ralphs put its new-store program on hold for three years? According to Allumbaugh, "We had expanded to northern California and needed time for digestion. We had severe problems with inner-city stores in 1976-77 and lost substantial amounts of money. And we opened a $14 million meat plant in 1976. We needed to solve these problems and integrate the new plant before expanding further."

Problems at the meat plant were especially pernicious. Flaws in computer programming crippled operations for months. In a remarkable turnaround, the plant now processes over 60% of its output in retail packages. "That's more than anyone else in the country," Allumbaugh notes.

Allumbaugh admits that Ralphs was badly hurt by the price war of 1976-77. Some observers say that the chain's price image was damaged because it failed to respond aggressively. It's also alleged that Federated Department Stores, Ralphs' performance-sensitive parent, vetoed new stores when the bottom line receded.



TELL A FRIEND
COMPARE ACTUAL PURCHASES!
TOTAL
VONS

Competitive heat has spawned floral price points beyond $45, bedsheets promoted from produce crates, market basket price comparisons, food clubs, winning cheese displays.

"Federated has been totally supportive in light of our progress," Allumbaugh says. "Otherwise why are we opening 16 new stores this year?"

Ralphs as innovator: Ralphs' formidable power as a market force has never been taken lightly. The 107-year-old chain pioneered the 30,000-sq.-ft.-plus store, hired the first outside design specialists for new stores, introduced generics in southern California, led the way with scanners (by July 1980, all 95 stores in southern California will be so equipped) and pioneered to promote the coupon and a half, which later led to the widely adopted double coupons.

Market-watchers say that Ralphs is getting more competitive but that Lucky continues to be the price-setter, closely followed by Vons and Alpha Beta. Says Allumbaugh, "You've got to average all departments. Of the four top chains, we are the only ones with U.S.D.A. choice beef. We are not the cheapest in produce because we emphasize quality and larger sizes. But on branded merchandise, no one is lower."

An eye on Alpha Beta: Despite Ralphs' resurgence, Alpha Beta is the chain to watch, especially after the merger of its parent, American Stores, with Skaggs.

Alpha Beta's uniqueness is its blend of tight control, rigid discipline and the most sophisticated distribution system in the West with the insouciance of a maverick who will try anything.

"You can't turn your back on Alphy," says a competitor. "because you never know when they will hit you with an idea that works even if it sounds wildly improbable at the time."

The archives are dotted with Alpha Beta ideas that have worked during its 79-year history: self-service, central deli kitchen, 75-ft. unbroken gondolas, floral depart-

Ralphs Number One CLUB CORNER
Ralphs Number One Club Information Center
SNACKS

ments, integration of food and nonfoods and in its superstores, a 1,200-sq.-ft. apparel department nestled in a cluster of high-profit departments such as greeting cards, floral, games-puzzles, appliances, pantyhose, sewing notions, stationery, domestics. In Cupertino, Calif., Alpha Beta replaced apparel with a Reading Center as an experiment.

In January 1976 the chain ignited a two-year price war without advertising any prices. Every supermarket chain predicted disaster, but the other shoe never dropped. Instead, Alpha Beta slipped into the No. 2 spot.

"The reason for our increased market share," says Tom Field, Alpha Beta president, "is consistency as well as our everyday low-price program." Another contributory factor is number of stores—Alpha Beta operates at least 50 more in Los Angeles-Orange counties than other major competitors.

For all its strengths, Alpha Beta may have too many 23,500-sq.-ft. stores in areas laden with units over 30,000 sq. ft. In these markets Alpha Beta lacks the selection of its competitors.

Combo store debate: Alpha Beta is attempting to solve this problem by building new units in the 35,000-sq.-ft. class. Coming soon are combination stores for the Los Angeles market, structured along the lines of the 55,000- to 60,000-sq.-ft. stores the chain already operates in Nevada and Utah. The first of these jumbo-size units will open in Santa Monica in early 1981, and Alpha Beta has several more planned for the California and Arizona markets.

The advent of combo units should hasten the closing of many 23,000-sq.-ft. conventional supermarkets (averaging $6 million in annual sales) in favor of the much larger stores, which could generate an annual volume in excess of $20 million.

Not all California retailers expect combination units to proliferate in the area. Says one, "Locations for that size store, capable of generating that kind of volume, are scarce. And the combos are enormously expensive. It takes $250,000-$275,000 per week just to break even."

Vons has shied away from full-fledged combos in favor of 36,000- to 40,000-sq.-ft. Value Centers. The chain has a dozen such outlets in southern California and plans to add five more in 1980. (Vons had tested a larger unit in Rancho Bernardo near San Diego but subsequently decided to try the smaller size.) Executive vice president and coo Jerry Fahey explains, "We feel the return on investment of a 36,000-sq.-ft. to 40,000-sq.-ft. store is equivalent to a 60,000 square-footer."

No chances at Lucky: Lucky, which grabbed the "discount" brass ring 10 years ago and honed it into a razor-sharp volume-builder, has not wavered from its original concept: low everyday prices, clean well managed stores—and no games, drawings or coupons. At Lucky, little is left to chance. The organization operates with a lean headquarters staff, excellent discipline and cost controls. Lucky carries a smaller selection of foods than Ralphs or Vons.

Lucky's market-share graph is misleading. Lucky ranked fifth with 10% for 1979, but its food departments in Gemco membership department stores account for 3% plus. By combining the two, Lucky is even with runners-up Alpha Beta and Ralphs.

Safeway makes a comeback: Rounding out the big five is Safeway, which has more stores in Los Angeles and Orange counties than either Vons or Ralphs, yet trails four principal competitors with 7.9%. Why?

Some factors working against Safeway: too much private label, not enough superstores and an overabundance of continuities, drawings and coupons that hurt the chain's pricing structure. Recently, Safeway has scissored some of the frills and is posting some better prices.

Many supermarketers are perplexed why Safeway ranked fifth in a *Los Angeles Times* meat study despite a strong meat image. (Safeway scored 7.8% compared to 13.2% for Vons, 11.9% for Ralphs, 11.7% for Alpha Beta and 8.9% for Lucky.)

"Safeway customers buy a lot of meat and fewer groceries," suggests one retailer, "but its total meat sales still trail the other majors due to its lower customer count and store volume."

L.A. seesaw market: No fewer than 10 other operations are vying for a slice of the L.A. pie, and it's certainly a big one. Los Angeles and Orange counties, with a population of 9 million, rack up grocery sales of $10 billion-$15 billion annually. That's nearly 10% of national supermarket volume. Competition has been fierce, and it's no wonder that the market leadership has seesawed over the last decade, with no outfit able to command as much as 15% of the total area food dollar.

The competitive ferment has spurred much innovation over the years, including self-service meat, massive bulk produce, year-round floral and international food boutiques. While other regions of the country have recently taken the lead in store format experiments, the emphasis in the West has switched to development of sophisticated management systems. "Constant growth has resulted in constant infusion of new blood," notes Vons' Jerry Fahey. "Don Ritchey at Lucky and Peter Magowan at Safeway are good examples. There's upward mobility at every level as expansion continues. What's significant is that southern California management is not stagnant."

The chains' desire to trim labor costs puts them on a collision course with those favoring unit-pricing measures. Since California's unit-pricing statute expired in January, the Retail Clerks Union has carried its fight for such a measure to the municipal level. Four localities, including Los Angeles, have passed unit-pricing ordinances, three more are testing such a law for six months and four have rejected similar proposals.

This is a high stakes game, because of the labor savings price removal would make possible for scanner-equipped supers. "This isn't a local fight, it's a contagious disease," claims one supermarketer. "The Retail Clerks have successfully put up a smokescreen, and they'll carry the fight throughout the nation. Here is a California 'first' no one in the industry is proud of."

The union has also been active picketing Jewel T limited assortment stores, which are not unionized. This has caused Jewel, which opened eight units in a single day, to take a wait-and-see attitude about further openings. □

Safeway fields superstores to hold market dominance in Bay area

□ Three major demographic trends are stirring the cauldron in this melting pot of the West:

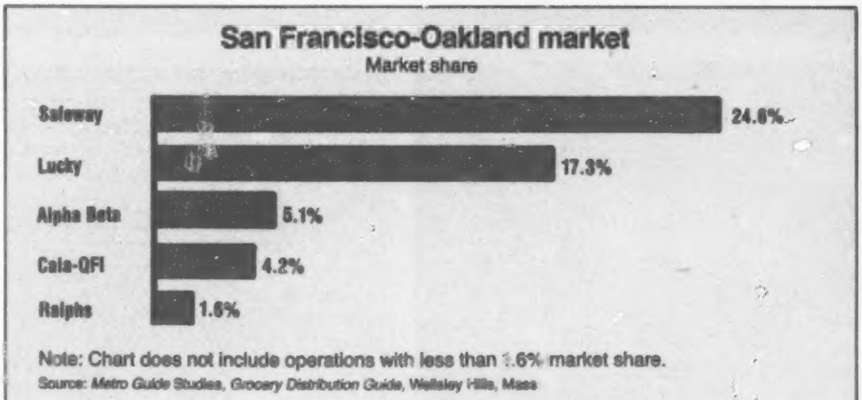
1. Increased ownership of small food stores by Arab nationals.
2. The influx of superstores and combination units.
3. A continuing "white flight" to the suburbs, spurred by improved public transportation.

Actually, the San Francisco Bay area breaks down neatly into two separate markets. One is San Francisco itself, with the other composed of Alameda, Contra Costa, Marin and San Mateo counties.

The City, as natives call San Francisco, has few major chains (Safeway has 19 units and Lucky fields five), a smattering of 20,000-sq.-ft. independently owned supers, and 2,000 Mom and Pops of less than 2,000 sq. ft. (Arabs now own approximately 60% of these small stores, and retailers of Chinese extraction account for another 25% of the total.)

AS
¢
EA
exotic fruit cookbook
PAPAYAS

Nutrition centers, cross-merchandised wine and goblet displays, booklets on preparation of exotic foods and "We'll pay 3¢ for your shopping bags" are West Coast firsts.



San Francisco-Oakland market

Market share

Note: Chart does not include operations with less than 1.6% market share.

Source: *Metro Guide Studies, Grocery Distribution Guide*, Wellesley Hills, Mass

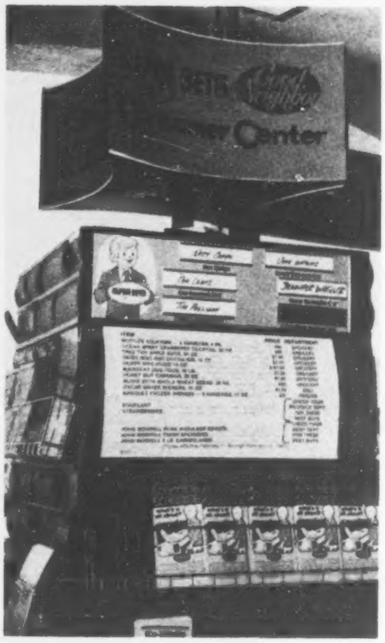
The dearth of chains in San Francisco is due to the hilly terrain. Flat land is scarce and expensive. As a result, there are more two-level-parking stores than elsewhere on the West Coast. Cala Foods does $300,000 a week in a 16,000-sq.-ft. store in San Francisco but needs two-level parking to do it.

Superstore defense: Safeway, mindful of its failure to move quickly on superstores in other areas (notably Denver) is on a big-store spree here to protect its market dominance. As many as 20 superstores are currently in the pipeline—either in the planning stage, on the drawing board or under construction.

However, superstores aren't Safeway's only defense against competition. Most of its 118 units in the Bay area are clean, well-stocked and well-merchandised. In the past eight months Safeway has also put more spice into its ads. Being a bridge away from national headquarters in Oakland, the San Francisco division is at the ready.

Safeway will need to switch to red alert because Raley's, an invader from Sacramento, has opened four 55,000-sq.-ft. food/drug combos in this market, and there's more to come.

Raley's struck combo lightning in Sacramento several years ago. Now operating 30 stores in Sacramento-Reno-Tahoe, Raley's leads in market share.



Raley's was the innovator of the 800- to 1,000-sq.-ft. health food department (Safeway installed a similar one last December in the Alamo store near Walnut Creek), and is also strong in cosmetics (1,000 sq. ft.).

Safeway's service cheese islands show promise, and in general merchandise they have been probing stereo-sound, also service.

Fry's, a division of Dillon, has also dipped into the combo waters with three units, but unlike King Soopers, another Dillon division, Fry's combo performance has been lackluster.

Independents make it: As in southern California, chains are selling lower volume units to independents who can make it because they have virtually no corporate overhead.

Independents are installing scanners at an accelerated pace. A veteran operator tells why: "Chains have sophisticated backup information that is generated by their in-house computers. The independents do not have that kind of data bank."

White flight to the suburbs continues, especially from Alameda County (80% of Oakland is now black). This has swelled bedroom communities, especially in Contra Costa County, 30 miles from San Francisco and 15 miles from Oakland, The population of Contra Costa (732 sq. mi.) went from 558,389 in 1979 to 635,300 in January 1980.

Contra Costa has economic diversification, heavy and light industry, office buildings and housing, providing fertile soil for supermarket growth.

All told, the fusion of the five counties of San Francisco-Oakland makes this area the nation's 8th largest food market, with a population of 3.2 million and food sales of $2.8 billion. □

Three vie for No. 1 in San Diego

□ Times are changing in San Diego. The once-quiet Navy town, where retailers closed up shop whenever the fleet put to sea, is booming thanks to pollution-free industries like electronics and aerospace, and this $1.5 billion market has become the focus of intense retailing competition.

San Diego County, with a population that has grown from 1 million three years ago to 1.8 million today, is generally perceived as an extension of the larger Los Angeles-Orange County market area located to its north.

The same Los Angeles barnburners—Safeway, Vons, Lucky, Fed-Mart, Alpha Beta and Mayfair—are right in the thick of things here, and Ralphs will be entering the fray with three supers this year. Safeway, Vons and Lucky (Food Basket and Gemco) are each separated by less than one point in market share, with Safeway on top chiefly by virtue of its greater number of units, 45 vs. 28 for Vons and Lucky.

Hometown makes good: Two hometown chains, Big Bear and Windmill Farms, are part of the San Diego action, too. Big Bear, operating 23 stores with 8% of the market, is taking a more aggressive pricing stance after dropping trading stamps this past January. The operation has also boosted its advertising program, turning to greater use of color and more double trucks.

Steve Boney launched the eight-store Windmill Farms chain three years ago. It must be in the family genes, because Steve's father Henry founded the 55-unit Speedee convenience store operation in 1965. (Southland subsequently acquired Speedee along with conventional Bradshaw Markets.)

The younger Boney has made his mark by rehabilitating 20,000-sq.-ft. castoffs from other chains. Produce accounts for one-third of the space and volume at these health and nutrition-oriented stores. Instead of the usual selection of dry groceries, Windmill features health foods, most notably dried fruits and nuts. The stores have some dairy, deli and frozen foods, but meat is not a big factor. Only three stores have meat departments, and they're leased.

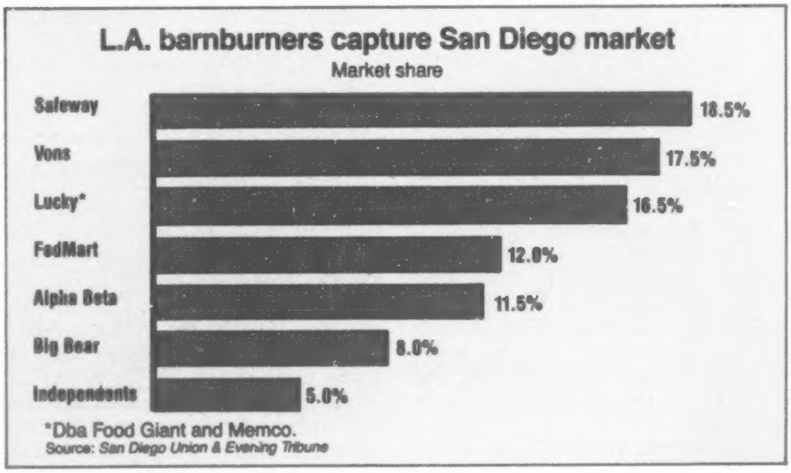
And Wine Prices Reduced!
COLD BEER & BEVERAGES

VONS HOT BAKERY

Lucky's promotional aisles feature apparel intermixed with foods. Both bakery and candy are service departments in Vons and Safeway stores.

Produce is Windmills' principal strength. A company executive claims that Windmill undercuts rivals on fruits and vegetables of comparable quality. The operation's average sales-per-store is $60,000 a week.

Another locally based chain, FedMart, has had some financial troubles as well as difficulty garnering share of market in other areas. Not in San Diego. San Diego County's 14 FedMarts grab 12% of area food dollars, topping both Alpha Beta and Big Bear. ☐

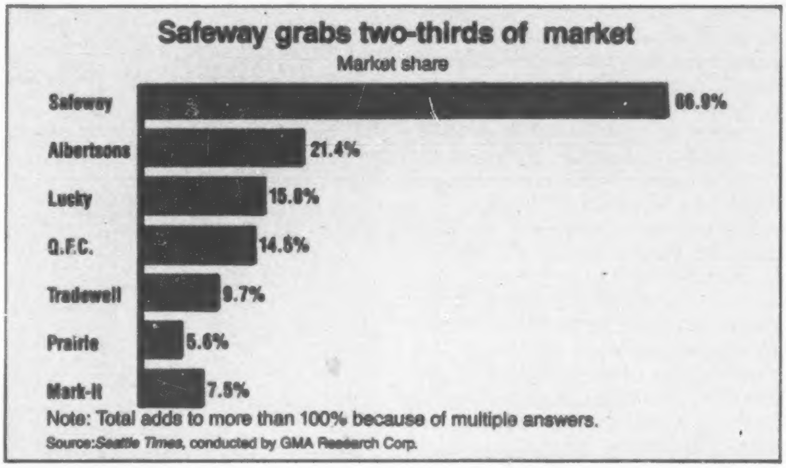

L.A. barnburners capture San Diego market

Market share

*Dba Food Giant and Memco.

Source: *San Diego Union & Evening Tribune*

Safeway consolidates outstanding lead in Seattle


Safeway grabs two-thirds of market

Market share

Note: Total adds to more than 100% because of multiple answers.

Source: *Seattle Times*, conducted by GMA Research Corp.

☐ Safeway is super in Seattle.

The Seattle Times confirms this in its 1979 market survey: Safeway clocked in with 66.9% market share—up from 57% in 1978.

Executives of competing chains in the Pacific Northwest challenge the authenticity of those figures, saying it is only 45%-48%.

Either way, owning half of a growing market isn't little league by any means.

Market share of other major chains has also increased over 1978: Albertsons, from 20% to 21.4%; Lucky, from 13% to 14.5%; Q.F.C., from 12% to 15.8%. Mark-It Foods (AG-supplied warehouse stores) is the only major showing a substantial decline—from 10% in 1978 to 7.5% in 1979.

Out of whose hide are the increases coming? The independents of less than 20,000 sq. ft.

"But that's not the complete answer," says a chain executive. "You're talking about a mushrooming market. Population is now 1¼ million, with 2 million predicted by 1981, as well as expanding industry: Boeing and the port of Seattle." Currently food retailers in King and Snohomish counties ring up $1.75 billion in annual sales.

'Terrified optimism': An exception to the big-store syndrome is Q.F.C., operating 15,000-sq.-ft. units. "We are food specialists," says president Jack Croco, "with very little nonfoods. Maybe we're an anachronism. Let's just say our attitude is one of terrified optimism."

But not too terrified—or anachronistic—to take the lead in scanning. While the big chains traveled a go-slow course, Q.F.C. installed them in all stores in 1979 after making ready with electronic cash registers in 1975.

Mark-It's decline parallels the leveling off of the warehouse store boomlet, which peaked in 1977-78. Even so, the rush to warehouse-style retailing has been strong enough to capture 15% of the market.

Prairie is the granddaddy of the warehouse store field. Tradewell, Prairie's conventional-store parent, imported the concept from the Dakotas 16 years ago.

The impact of Prairie on Tradewell is significant. Chainwide, there are now 78 Prairies (mostly rural areas) and 39 Tradewells.

Prairies are 12,000 to 15,000 sq. ft., with no fresh meat and limited produce. Most other warehouse stores are 18,000 to 20,000 sq. ft., with meat and large produce departments. Conventional chains work on margins of 21%-22% on dry groceries; warehouse stores, 13%-14%.

Safeway isn't No. 1 by default—and it's no overnight phenomenon, either. It has held a close to 50% share for years. It's no coincidence that Dale Lynch (now Safeway president) was retail operations manager, division manager and regional vice president in Seattle in the 60's and early 70's.

A major supplier of 20 years says, "Safeway's Seattle division is the best in the entire chain." Another supplier adds, "And it's one of the most profitable. By operating its own warehouse and buying direct, Safeway—and Tradewell—shave 2½%-3% off the wholesaler's cost. So they are able to work on bigger margins." ☐

cheese fair
HORSE CARE
HORSE CARE

Cheese boutiques are big business for Safeway. This canopied service department carries nearly 1,000 items. Chain features unusual end-caps such as this one for horse-care products.

Fred Meyer sets the pace in Portland

☐ Welcome to Fred Meyer country. One out of every four food dollars spent in the Portland Metropolitan Area flows into a Fred Meyer cash register.

Chain founder Fred Meyer decided 60 years ago that the wave of the future would be one-stop-shopping—and he never looked back. The latest monument to the insight of the late entrepreneur is the 210,000-sq.-ft. Beaverton, Ore., showplace of retailing. Stores-within-a-store include: supermarket, general merchandise, pharmacy, hardware, housewares, sporting goods, auto-care, photo/sound, nutrition center, jewelry, home improvement, apparel, fabric, shoes, optical, restaurant and savings and loan.

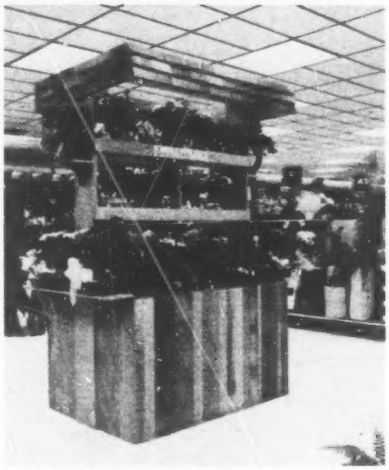
While other supermarket operators around the country struggled to figure out exactly where in-store banking might fit into their business, Fred Meyer took the bull by the horns. Back in 1974, the chain moved to make banking a profit center by buying a savings and loan association. Today there are 40 Fred Meyer Savings & Loan Associations in Oregon, 32 of them in stores. The branches are open seven days a week, 10 to 7. Growth of this side of the far-flung Fred Meyer empire is rapid and steady. The company has opened an average of eight a year, a pace it expects to maintain.

Hot ads, cool shelves: Fred Meyer is definitely the price-setter in Portland, using a strategy that emphasizes hot ads and relatively cooler shelf prices. (Seattle, dominated by Safeway and Lucky, is just the reverse.)

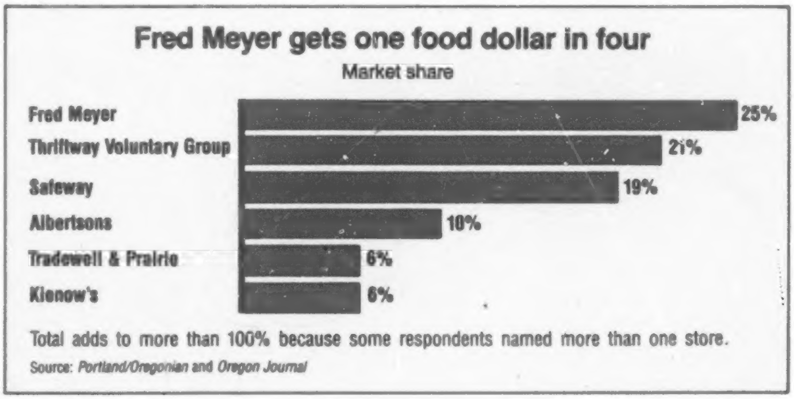
Also unlike Seattle, Portland retailers have gone slow when it comes to installing scanner-assisted checkout systems. Uncertainty over the possibility of a state-wide unit pricing law is the main reason for the go-slow attitude. The Oregon Legislature failed to pass such a measure during its last session, but few doubt that it will surface again.

On the other hand, the future is equally cloudy for a piece of legislation considerably nearer and dearer to the hearts of area retailers. Petitions have been circulated to allow supers to sell liquor, presently available only at state-controlled stores, but the idea has made no concrete progress.

Tradewell's year-end purchase of five independent supermarkets should help its market share in the current year. Two of the units are fairly large, 28,000 sq. ft., while the rest are 15,000 sq. ft. to 20,000 sq. ft.



Nobody has the science of one-stop shopping down better than Fred Meyer. A complete floral department is housed in 600 sq. ft.



Fred Meyer gets one food dollar in four

Market share

Total adds to more than 100% because some respondents named more than one store.

Source: *Portland/Oregonian* and *Oregon Journal*

Waremart operates the largest warehouse markets in the Northwest. It has four units, the newest of which is 40,000 sq. ft., and has installed scanning in three already.

Portland is experiencing steady, if unspectacular, growth. The housing slowdown has hurt the city's No. 1 industry, lumber, but electronics and tourism are taking up a lot of the slack. ☐

—Lou Karney

FINANCIAL NEWS

Albrecht standing pat with Albertsons stock

An agreement between Albertsons Inc. and Theo Albrechtstiftung, a West German trust, has cooled speculation that the Boise, Idaho, chain is the next American food company on the list for European acquisition.

The recent purchase of 9.9% of Albertsons stock by the West German concern had touched off takeover rumors. Albertsons' officials moved quickly to lock up disposition of the major block owned by J. A. Albertson, which appeared to block any buy-out move by Albrecht.

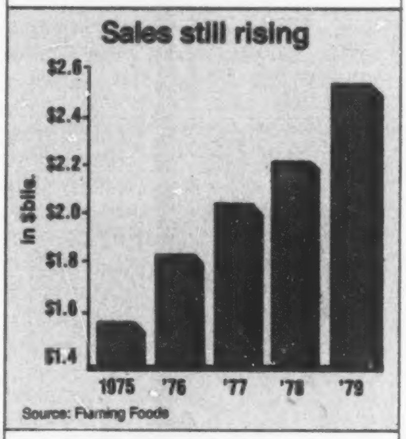
The agreement gives Albertsons right of first refusal on the trust's 731,200 shares and would also limit Albrecht from increasing its holdings before Feb. 14, 1985. Albrecht also would promise to vote its shares on all matters either in proportion to the votes cast by other shareholders or as directors recommend.

Fleming notches another banner year

It was business as usual for Fleming Foods during the fiscal year ended Dec. 31, 1979, meaning that the wholesaler-retailer again established new corporate highs for both sales and net earnings. A particularly profitable final quarter helped the Oklahoma City-based company amass 12-month sales of $2.5 billion, a 13% increase over the prior fiscal year.

Earnings kept pace with Fleming's sales expansion, also rising 13% to $16.4 million. This translates into a net-to-sales ratio of 0.66, approximately the same as in the previous year.

A construction spree by Fleming's customers had a lot to do with setting the records, according to Fleming president R. D. Harrison. Customers of the wholesaler opened over 100 stores during the year. Harrison also expressed satisfaction with start-up at two major new distribution facilities located in Oklahoma City, Okla., and Columbus, Ga.



Source: Fleming Foods

Southland sets sales and earnings record

Dallas, Tex.-based Southland Corp., the nation's largest operator of convenience stores, notched record sales and earnings for the fiscal year ended Dec. 31, 1979. The company, which operates 6,807 7-Eleven stores, logged sales of $3.9 billion, up 25.4% over the previous fiscal year. Profits zoomed 45.5% to $83.1 million over the same period.

Commenting on Southland's outstanding showing, chairman John P. Thompson, said, "The strong sales gain, evident throughout the year, was due primarily to continuing popularity of convenience store shopping, enthusiastic response to prime-time network television advertising, stepped-up 7-Eleven merchandising and promotional programs, improved Dairies Group operations and a substantial increase in self-serve gasoline."

Allied profits increase

Allied Supermarkets, buoyed by its third straight quarter of profitability, reported sharply improved earnings despite sales that continued to trend lower. For the six-month period ended Jan. 12, the financially troubled chain logged sales of $276.6 million, a 21% drop from last year's first-half volume of $348.9 million.

Profits were a different story, however. The Detroit, Mich., retailer reversed first-half fiscal 1979's $3.4 million loss by posting a $1.5 million profit during the first six months of the current fiscal year. Allied has operated as debtor-in-possession under terms of Chapter XI of the Federal Bankruptcy Act since November 1978.

Presently, slimmed down Allied operated 35 Great Scott! supermarkets in Michigan, 48 Humpty and Ideal supers in Oklahoma, Kansas and Texas, a K mart Food Store in South Dakota and the Abner Wolf Wholesale Company.

Chain Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Bayless	1 yr.	12/29	$ 319,837,000	+23	$ 2,193,000	− 15.0	0.69
Victory	1 yr.	12/29	241,614,000	+ 6	1,037,000	− 7.0	0.43
Big V	1 yr.	12/30	357,984,047	+21	4,703,928	+ 12.0	1.31
Fleming	1 yr.	12/31	2,507,864,000	+13	16,439,000	+ 13.0	0.66
Southland	1 yr.	12/31	3,876,059,000	+25	83,141,000	+ 46.0	2.14
Sunshine Jr.	1 yr.	12/31	120,071,813	+28	2,399,610	+ 48.0	2.00
Farm House	9 mos.	1/6	358,278,448	+17	2,984,306	+ 33.5	0.83
Allied	6 mos.	1/12	276,614,000	−21	1,504,000	+145.0	0.54

Source: Compiled by *CSA Supermarkets Research*

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

May 1980

Grant Gentry: Can he bring Food Fair back?

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Special report

Today's gourmet shopper

The big bucks spender

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SRI ACQUISITIONS
7101 WISCONSIN AVE
WASHINGTON DC 20014**

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets

May 1980

In Boston, Stop & Shop's Country Market sets a new fresh store to cure operating woes .... *page 68.*

Today's high spender

With basement prices and double coupons luring consumers into supermarkets, this exclusive study of upper-income shoppers who are turned on to creative cooking couldn't have come at a better time 99

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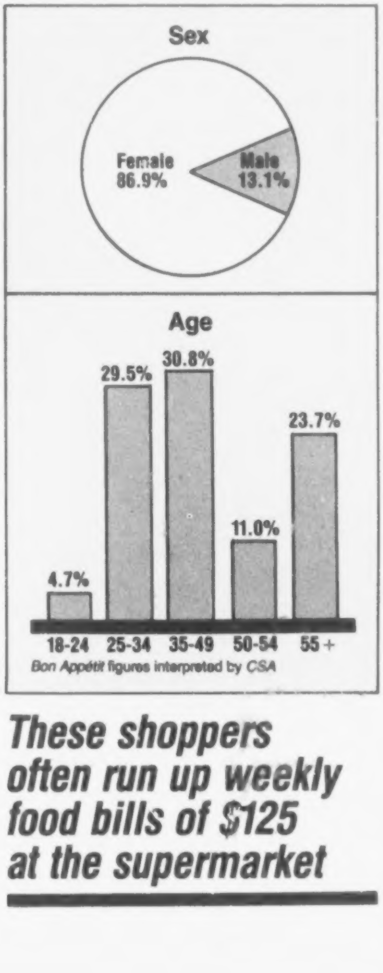
Today's gourmet shopper: the big bucks spender

The cooking-at-home trend is adding a fresh and highly profitable dimension to supermarket merchandising.

Leading the revolution is a new breed of high spender—the affluent shopper with a lavish enthusiasm for creative cooking and entertaining.

This couldn't have appeared at a better time. Inflation is running rampant, severely eroding the average consumer's purchasing power. Reactive supermarketeers are left with little recourse but to slash prices, employ double coupons and other gimmicks and hype "generics." Margins, already lean, are becoming razor-thin. Some observers feel profits will be off as much as 20% this year.

Enter the affluent shopper, whose quality-at-any-price attitude contrasts harshly with today's budget-oriented consumer. She may be more selective in her purchases, more resistant to pursuasive advertising, and more inclined to read labels, but keep her satisfied and she'll move more product off your shelves than anyone else.



Bon Appétit figures interpreted by CSA

No frills? Only a few are familiar with the plain black and white package, opting almost exclusively for national brands. Cents-off coupons? The majority reach for a new product because it's something different, not because it's discounted. Here's what one upper-income shopper told *CSA Supermarkets* on a recent trip to her neighborhood store: "When it comes to serving my family and friends, I just can't put macaroni and cheese on my dining room table. I derive a lot of pleasure out of preparing a creative dish."

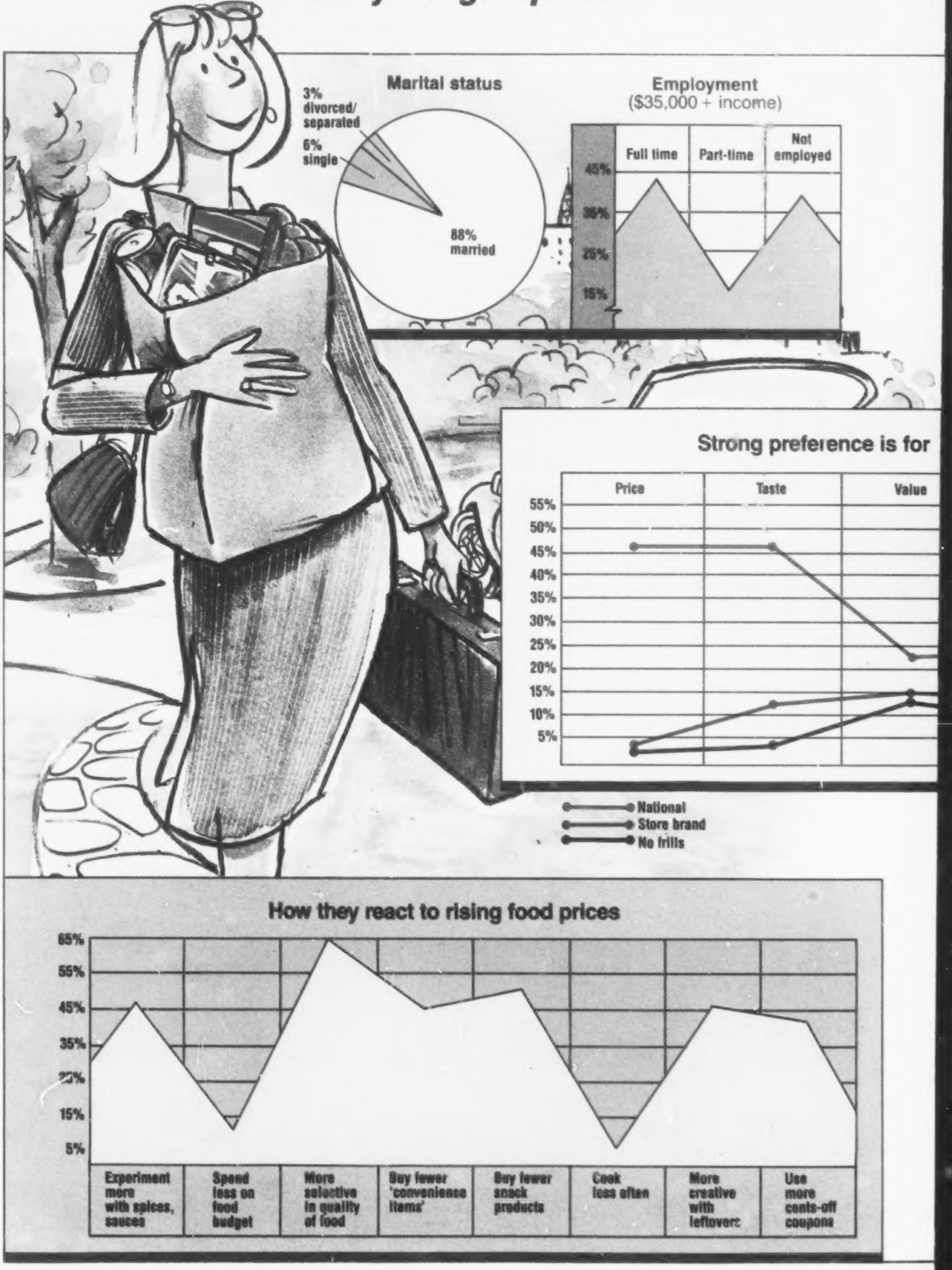
That's quite a mouthful. And it underlines just how valuable this upscale portion of the marketplace is to a supermarket operation's bottom line.

Elusive spenders: Unfortunately, there's one dark cloud: Most retailers haven't the faintest idea who these shoppers are, what they buy, how often they shop, or how much they spend. Unless a supermarketer's store is located, say, in the heart of a silk-stocking district, the typical retailer simply doesn't have the know-how to attract the hottest consumer in the marketplace.

Until now. *CSA Supermarkets* has interpreted the results of a landmark *Bon Appétit* magazine subscriber survey, providing the

These shoppers often run up weekly food bills of $125 at the supermarket

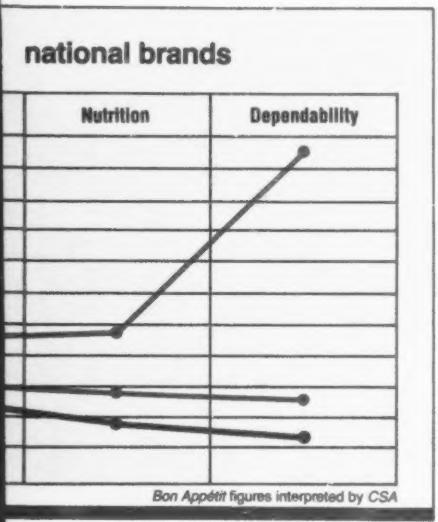
Today's high spender



Name-brand items are her first choice because she knows they're dependable

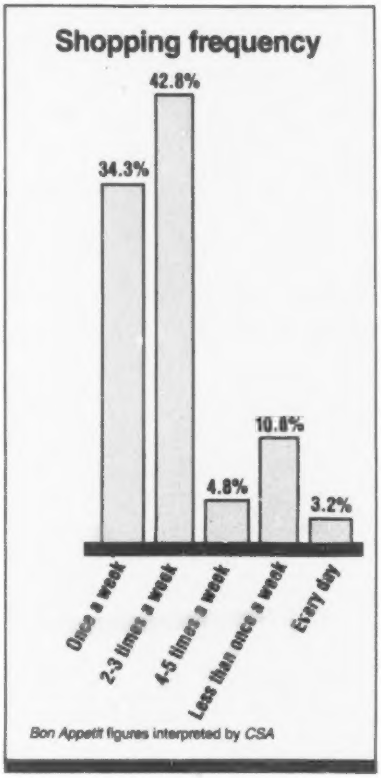
food retailing industry with vital statistics embracing the attitudes and behavior patterns of affluent homemakers as they relate to new products, brand qualities, additives and ingredients, supermarket promotions, ethnic foods and food preparation.

Of course, the value of this data to an individual retailer depends on the proportion of high spenders in his trading area. But keep this in mind: An astounding 20% of this elite group of shoppers run up food bills exceeding $125 a week, compared to 6.7% of all female homemakers. Try that on your calculator; it adds up to a lot of product moving off the shelf, no matter how meager the proportion.



Bon Appétit figures interpreted by *CSA*

She's a trendy, curious—and demanding—shopper



Bon Appétit figures interpreted by *CSA*

Remember the time that irate shopper dropped a half-empty jar of some newfangled natural honey on your service counter, spewing out how terribly disappointed she was with the product?

Well, there's a very good chance you were looking right into the face of an upper-income customer. Peeved, yes, but no less affluent.

In one of the more surprising revelations to emerge from the study, 83% of the high-spending homemakers let it be known that they don't take dissatisfaction lightly. In fact, roughly the same high percentage say they share their distaste with their neighbors and friends.

Now for the good news. While today's hottest-spending consumer isn't shy about returning an item, she demonstrates an equal zest for trying new products. If there's anything this new breed of shopper avoids, it's the same meal week after week.

The supermarketer who wants to encourage this shopper's enthusiasm for experimentation and innovation would be well advised to pay more attention to the thousand or so new products that make a bid for permanent shelf space every year.

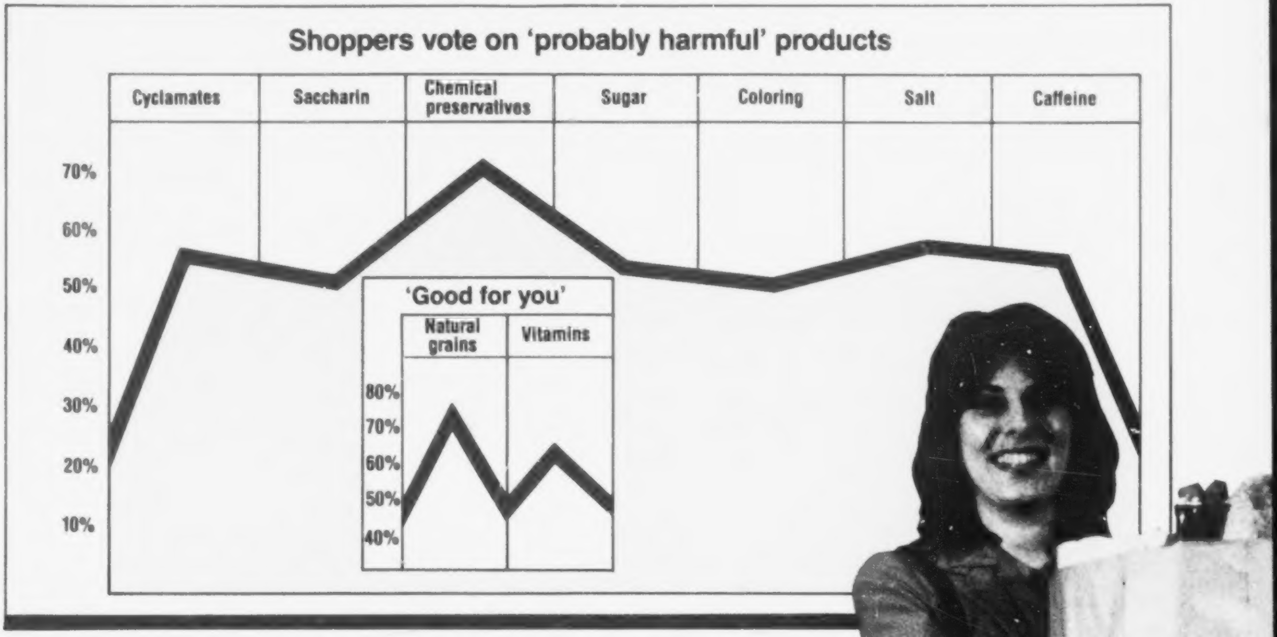
Here are some pointers to help in those decisions. For one thing, if a particular new product is moving fast, it's probably because 96.2% of the high spenders are following the recommendation of a friend. But what prompted her friend to buy it in the first place? Curiosity, according to 95% of the homemakers surveyed.

Two other factors influence the affluent to purchase a new product: nutritional value (82.1%) and advertising (79.4%). Interestingly, a sizable majority, 61.1%, reveal that cents-off coupons can motivate them to pick up a new product. Yet, unlike the typical income-strapped consumer, a very small minority (6.5%) buy a new product solely due to the price reduction.

There's a relatively simple formula a supermarketer can follow to determine if a new product is likely to whet the curiosity of today's hottest spender: (1) It has a national label, (2) contains natural ingredients, (3) has nutritional value and (4) she asked for it.

Convenience foods and snacks have been hurt most by skyrocketing prices

Today's high spender



More ingredients, more recipes

Ask a high-income homemaker whom she idolizes the most and there's a good chance she'll say culinary first lady Julia Child. Browse through her home library and you're likely to find out why.

Cookbooks. Volumes of them, full of exciting recipes. Evidence that the kitchen has emerged as the "in" place for today's hottest-spending consumer.

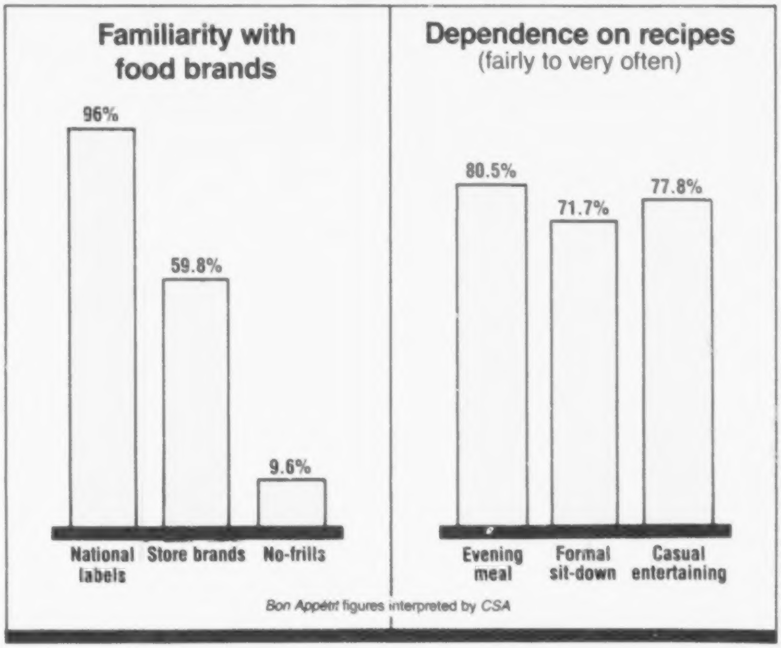
An analysis of the figures reveals that 80.5%—that's more than eight out of 10 high spenders—rely on recipes in the preparation of their dinner meal. And nearly as many, 77.8%, depend on recipes when it comes to casual entertaining.

Many big spenders are creative cooks, with strong preference for natural ingredients

What does this mean to the food retailer? The creative cook blends a wide range of ingredients to form a single dish. At the same time, she's very serious about *what* goes into her meals. The supermarketer who's promoting freshness can count on pleasing 89.4% of the high-velocity homemakers. And 83.9%, as expected, weigh ingredients for nutritional value.

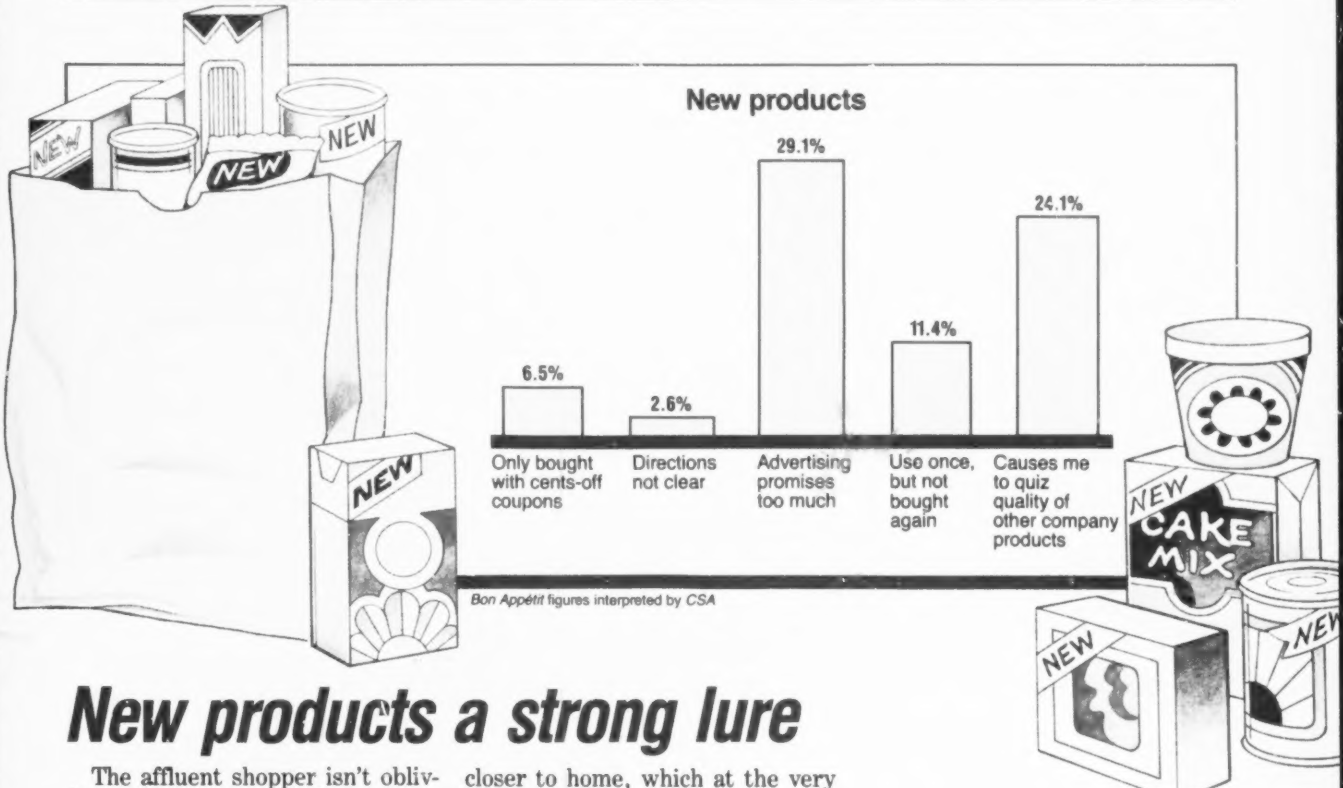
A clear majority of the high spenders are likely to be found reaching for natural grains, while a high proportion shun chemical preservatives, cyclamates, salt, colorings, sugar and all synthetic additives.

Which raises an important question: What products do these affluent shoppers purchase to garnish their meals? The answer is sitting in your spice rack and sauce section, staple items guaranteed to attract the big spenders when properly—and amply—displayed.


Familiarity with food brands

Dependence on recipes (fairly to very often)

Bon Appétit figures interpreted by CSA



Bon Appétit figures interpreted by *CSA*

New products a strong lure

The affluent shopper isn't oblivious to soaring prices, but her behavior has certain advantages for the supermarket operator.

Higher food bills have made 65.5% of these heavy spenders definitely more selective in their purchases, yet only 12% have responded by trimming budgets.

And while snack products, and to a slightly lesser degree convenience items, are feeling the pinch, keep in mind that creative cooks are constantly seeking out ingredients that can add dazzle to an otherwise basic dish. In fact, a significant 46% of upper-income homemakers are experimenting more with spices and sauces for this very reason.

The study also reveals that more than one out of five big spenders are investigating food products they previously hadn't tried because of—or in spite of—rising prices.

The baking goods section is also benefiting from climbing prices, brought out by the 28.5% of the high spenders who say they're baking more often. A deeper look indicates that female homemakers in the 18-34-year-old age bracket are whipping up cakes and pies at an even higher rate (39.4%).

And you can thank OPEC for this next plus: The accelerating cost of gas has prompted 35.1% of the high spenders to shop at a supermarket closer to home, which at the very least allows the retailer to more accurately track his percentage of high-velocity shoppers.

Also, more than a quarter of the high-income bracket respondents (27.2%) admit they have every intention of shopping less often.

One more advantage to soaring prices: One-third of upper-income shoppers say they're eating out less often. Turn that one around and it adds up to more product moving off the supermarket shelf.

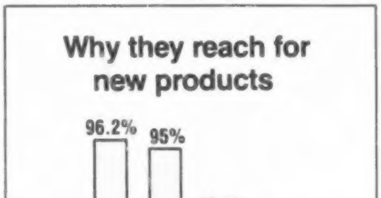
—Larry Schaeffer

2,000 panelists voice preferences

The statistical findings of the attitudinal and behavioral study are based on questionnaires sent out to a 2,000-member panel of *Bon Appétit* subscribers, whose average household income exceeds $40,000.

The study consists of a broad range of food-related topics and offers a demographic compilation of total respondents age, marital status, employment status, household size, region and income.

This is the first of a series of studies *Bon Appétit* plans to sponsor at least once a year.



FINANCIAL NEWS

Sales rise 18% at Albertson's

Albertson's, Boise, Idaho, continues to roll up impressive operating results, although profit for the fiscal year ended Jan. 31 did not keep pace with sales.

The chain earned $38,322,644 profit for the 52-week period, a modest 5% improvement over the fiscal 1978 total of $36,421,412. Sales advanced more briskly, up 18% to $2,673,847,000 from $2,268,969,000.

To celebrate another solid year of accomplishment, the board of directors has announced a 2-for-1 stock split affecting shareholders of record as of March 14. At the same time, Albertson's board authorized a 33% hike in the quarterly dividend from 30¢ per share to 40¢.

Cavenham says merger O.K.'d

The Federal Government may have a few nits still to be picked, but Cavenham Holdings Inc. has completed the acquisition of J. Weingarten through one of its subsidiaries.

As a result of the merger, Cavenham Texas now owns all stock in the Houston, Tex.-based supermarket chain. (Prior to consummating the merger, Cavenham Texas held 97.6% of Weingarten.) Former holders of Weingarten common stock are entitled to $12 in cash per share held prior to the merger.

Jack Crocker

Super Valu logs big year

It was business as usual for Hopkins, Minn.-based Super Valu in the fiscal year ended Feb. 23, meaning that the well-known wholesaler/retailer once again noticed improved sales and earnings.

Sales climbed to $3,475,193,000, a 15% gain over the previous year, while profits mounted even faster, up 23% to $45,343,000. (The LIFO method of accounting, in use at Super Valu since 1975, resulted in a change against net earnings of $4.7 million.)

"In the face of high inflation and steadily increasing costs, all lines of the company's business performed effectively," states chairman Jack J. Crocker. "We achieved growth objectives in wholesale foods and our nonfoods operations. Through disciplined expense control, we achieved earnings that exceeded our long-range goals."

Food store sales, according to Crocker, account for 89% of Super Valu sales and 72% of its operating earnings. Recent emphasis, however, is on expansion of the County Seat leisure apparel and ShopKo department store operations.

Records fall for SGC year

Despite a precipitous 22% decline in net earnings during the fourth quarter, Supermarkets General Corp. notched record sales and profits for the fiscal year ended February 2.

Increased operating profit for Pathmark Supermarkets was the primary reason for the stellar performance by the Woodbridge, N.J., retailer. For the company as a whole, sales for the fiscal year soared 15% to $2,372,574,000, up from $2,061,873,000 in the previous year. (1978 was a 53-week period, so the true year-to-year sales gain was actually closer to 20%, adjusted.)

Pathmark overcame a slightly weaker fourth quarter due to the operation's jack-rabbit start in 1979. The bankruptcy of Food Fair and difficulties experienced by other competitors enabled Pathmark to compile a 63% increase in first-half earnings compared to the similar period of the prior fiscal year.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Sales	% Inc./ Dec.	Net-to-sales ratio
Albertson's	1 year	1/31	$2,673,847,000	+18	$38,322,644	+ 5	1.43
SGC	1 year	2/2	2,372,574,000	+15	23,460,000	+14	1.09
Godfrey	1 year	2/23	368,679,000	+16	3,884,000	+45	1.06
Super Valu	1 year	2/23	3,475,193,000	+15	45,343,000	+23	1.30
Conna	9 mos.	2/3	201,822,000	+26	1,875,000	+87	0.96
King Kullen	6 mos.	3/17	144,413,638	+14	1,375,032	+34	0.95

Source: *Chain Store Age*

Why there's a new quarterback at A&P
Waldbaum's ranks "tops" in deli country

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

June 1980

Annual Financial Recap

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More winners than losers

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets

June 1980

Commitment to service, inviting store environment are as much a part of Publix' success as top asset management.

Annual financial recap

Despite an inflation-ridden year, major food chains fared better than expected, with more winners than losers on the board. *CSA* profiles 10 of the top companies, reviews some of those not so fortunate and provides a comprehensive analysis of the industry's prospects 19

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More winners than losers

But 1st-qtr. results show a reversal, with earnings down for many chains

There were more winners than losers during inflation-ridden 1979, according to the *Chain Store Age Supermarkets* annual financial recap, but the recession is changing the picture this year.

First-quarter results from the major chains tell the story: Safeway and Kroger both reported sharp declines in profit. Although the two giants' earnings were depressed in part by strikes, the trend toward lower earnings is likely to continue for many chains for the remainder of 1980.

A summary of first-quarter 1980 results shows that among all industries the grocery industry suffered one of the steepest declines in profit in the early months of 1980. Only the auto industry fared worse.

By this yardstick, grocers' profits were off 5.6% compared to the first quarter of 1979. The index for all industries showed an average gain in earnings of 16.6% for the period. The auto industry showed a decline of 95%.

One reason is that food inflation has been below the general rate of inflation. Food at home prices increased 5.8% last year, compared to a 14.1% increase in the consumer price index. Supermarket operators meanwhile find themselves paying much more for energy and labor, while shoppers seek to cope with the long-delayed recession by curtailing food purchases and trading down.

CSA found the industry as a whole last year achieved sales of $186.2 billion, up 10.9% over 1978. Chain supermarkets accounted for $156.6 billion of this, up 11.3% over 1978. Chains thus accounted for 84% of total retail food sales in 1979, up from 82.5% in 1978.

Why the recession was so long coming is a question whose answer may provide a clue as to how long it will last. "The reason the recession was late is that the average American consumer in 1979 refused to accept a recession. He simply borrowed and went deeper into debt," says New York retail consultant Howard Davidowitz. "When the Government restricted his ability to borrow early this year, the recession got rolling."

All this suggests the recession is likely to last until interest rates settle back and restrictions are eased on consumer credit.

There was surprisingly little change in market share last year among the 10 largest chains. Safeway easily retained its top spot, although its market share eroded to 8.8% from 9.1% the year before. The merged Skaggs-American Stores operation moved up from sixth place in 1978 to fourth place last year based on *pro forma* sales and earnings.

Although Lucky picked up market share, it was displaced from fourth place by American and settled into fifth.

Food Fair, which was ranked eighth last year, disappeared from the top 10 list as a result of its massive store closing program under Chapter XI bankruptcy reorganization. Grand Union moved up one notch to eighth place, and Albertson's followed suit with a move up to ninth. Supermarkets General Corp. slipped into 10th place. ☐

Top 10 by market share

	1979 Rank	% 1979 Market share	1978 Rank	% 1978 Market share
Safeway	1	8.8	1	9.1
Kroger	2	5.8	2	5.7
A&P	3	4.2	3	5.4
American	4	3.9	6	2.7
Lucky	5	3.7	4	3.4
Winn-Dixie	6	3.1	5	3.2
Jewel	7	2.4	7	2.7
Grand Union	8	2.0	8	1.7
Albertson's	9	1.7	10	1.5
SGC	10	1.5	n/r	1.3
		37.1		36.7

Source: *CSA Research*

More chains reach billion-dollar class

Last year saw a record number of chains cross the billion-dollar mark in sales. As the chart shows, more than 20 companies were in the billion-dollar league last year, vs. 17 the year before. Earnings were up for most in 1979, in some cases dramatically so.

Jewel posted a 23% increase in profit; Supermarkets General, 31.2%; Publix, 15%; Lucky, 22%.

In view of the dislocations caused by inflation, there was surprisingly little change in standing among the largest chains. Safeway easily held on to the No. 1 spot with $13.7 billion in sales, and Kroger stayed right behind the leader with $9 billion.

A&P held on to third place despite a decline in sales to $6.7 billion from $7.5 billion the prior year. Lucky and Winn-Dixie, in fourth and fifth place in 1978, increased sales by substantial percentages last year but nevertheless slipped to fifth and sixth places in the 1979 rankings. They were displaced by the merged Skaggs-American Stores operation, which moved up from sixth place in 1978 to fourth place in 1979, based on *pro forma* sales.

Food Fair fell back from eighth place to 14th with sales of $1.5 billion last year, down from $2.8 billion the prior year. The slippage is a result of the company's massive store closing program under Chapter XI bankruptcy reorganization.

Among the other large chains, several moved up a single slot. These included Grand Union, up from ninth to eighth place, Albertson's, now in ninth place, and Supermarkets General, which is in 10th place, up from 11th. ☐

Supermarkets improve most

A composite selection of "shelf" retailers (49 food chains, 7 convenience store chains, 31 discount store companies, 9 variety store operators and 21 drug store chains) collectively posted sales gains in 1979 at least three percentage points higher than the year before. Discount stores as a group showed the most significant improvement, boosting sales up more than four percentage points. Only drug stores' rate of sales gains declined last year

Latest results

	% Sales gain	% Net earnings gain	% Return on assets	% Return on equity
Supermarkets	13.6%	32.6%	4.9%	15.2%
Conv. food stores	20.6	26.0	6.0	13.2
Discount stores	15.4	24.6	4.7	13.2
Variety stores	13.8	5.7	6.9	12.4
Drug stores	13.1	22.1	5.5	14.7

Source: Management Horizons Inc. Fiscal years ending on or before 12/15/79.

Rank	Chain	1979 sales volume (000 omitted)	1978 sales volume (000 omitted)	% change
1.	**Safeway†**	$13,717,861	$12,550,569	9.3
2.	**Kroger†**	9,029,315	7,828,071	15.3
3.	**A&P**	6,684,179	7,469,600	(−10.5)
4.	**American Stores[1]**	6,120,963	5,138,404	19.1
5.	**Lucky Stores**	5,815,927	4,658,409	24.8
6.	**Winn-Dixie†**	4,930,000	4,440,000	11.0
7.	**Jewel Co.**	3,760,000	3,510,000	7.1
8.	**Grand Union**	3,137,612	2,398,544	30.8
9.	**Albertson's**	2,673,847	2,268,969	17.8
10.	**Supermarkets Gen'l†**	2,372,574	2,061,873	15.1
11.	**Publix†**	1,942,562	1,679,112	15.7
12.	**Stop & Shop†**	1,878,864	1,762,144	6.6
13.	**Dillon**	1,792,216	1,465,277	22.3
14.	**Food Fair[2]**	1,461,000	2,800,000	(−47.8)
15.	**City Products [Von's]**	1,453,000*	1,175,000*	23.7
16.	**Fisher Foods†**	1,336,293	1,451,676	(− 7.9)
17.	**Giant Food**	1,242,620	1,080,842	15.0
18.	**First National[3]†**	1,111,691	382,464	190.6
19.	**Waldbaum's**	1,103,443	941,479	17.2
20.	**Fred Meyer Inc.**	1,060,203	927,110	14.4
21.	**National Tea**	1,045,695	918,634	13.8
22.	**Borman's†**	905,400	783,900	15.5
23.	**Federated [Ralphs]†**	882,700	851,900	3.6
24.	**Gamble Skogmo**	800,000	745,000	7.4
25.	**Cullem†**	782,520	639,080	22.4
26.	**H. E. Butt**	728,000	650,000	12.1
27.	**Hy-Vee**	683,000	583,720	17.1
28.	**Weis**	606,346	518,003	17.0
29.	**J. Weingarten**	566,118	500,272	13.2
30.	**Smith's Mgmt.**	621,000	550,000	12.9
31.	**Schnuck's**	500,000*	460,000*	8.7
32.	**Price Chopper**	520,800	465,000	12.0
33.	**Meijers†**	494,000	457,000	8.1
34.	**Kohl's**	492,000*	440,000*	12.0
35.	**Chatham†**	482,000	465,000	3.7
36.	**Arden Mayfair**	460,479	449,000	2.5
37.	**Alterman†**	435,999	376,861	15.7
38.	**Thriftimart†**	431,870	368,136	17.3
39.	**Stater Bros.**	420,567	343,442	22.5
40.	**Foodtown [NC]†**	415,973	299,266	39.0
41.	**Foodarama**	413,016	376,144	9.8
42.	**Giant Eagle**	406,500	363,000	12.0
43.	**Nash Finch†**	386,934	338,000	14.5
44.	**Bruno's†**	385,595	309,448	24.6
45.	**Purity Supreme**	381,000	304,500	25.1
46.	**Penn Traffic[4]†**	375,573	330,225	13.7
47.	**Sentry**	368,679	318,263	15.8
48.	**Big V**	357,984	295,110	21.3
49.	**Wegman's**	350,000	316,153	10.7
50.	**Schwegmann**	335,000	300,000	11.6

Source: All data is as stated in annual reports, S.E.C. 10K Forms and other financial statements. Estimates (indicated by an asterisk*) are used in the absence of published data.

†Indicates the company uses LIFO method of accounting for all or substantial amounts of inventory.

The top 100 food chains

1979 earnings (000 omitted)	1978 earnings (000 omitted)	% change	Rank	Chain	1979 sales volume (000 omitted)	1978 sales volume (000 omitted)	% change	1979 earnings (000 omitted)	1978 earnings (000 omitted)	% change
$143,323	$146,118	(– 1.9)	51.	**Pueblo Int'l**	$330,773	$296,170	11.7	4,033	3,975	1.4
85,721	84,596	1.3	52.	**Harris Teeter**	329,614	284,907	15.8	6,889	5,091	35.5
(– 3,807)	(–52,186)	92.7	53.	**Seaway Foodtown†**	325,856	285,214	14.2	4,756	3,325	43.0
62,782	50,447	24.5	54.	**A. J. Bayless†**	319,837	260,088	23.0	2,193	2,583	(–15.0)
98,100	80,400	22.0	55.	**King Kullen†**	318,363	281,039	13.3	1,843	1,952	(– 5.6)
94,500	84,000	12.5	56.	**Shaw's†**	312,000	249,000	25.3	n/r	n/r	n/r
50,680	41,140	23.2	57.	**Hughes[5]**	300,000	190,000	57.8	n/r	n/r	n/r
33,253	23,137	43.7	58.	**The Boys**	300,000	270,000	11.1	n/r	n/r	n/r
38,322	36,421	5.2	59.	**Tradewell**	300,000	267,000	12.4	n/r	n/r	n/r
23,460	17,874	31.2	60.	**Smitty's[4]**	288,000	222,000	29.7	n/r	n/r	n/r
37,068	32,113	15.4	61.	**Mayfair [Foodtown]**	280,000	260,000	7.7	n/r	n/r	n/r
14,948	16,021	(– 6.7)	62.	**Shopwell**	279,000	272,000	2.6	1,060	745	42.3
58,417	50,045	16.7	63.	**Almac†**	275,000	262,000	5.0	n/r	n/r	n/r
(–211,000)	(–52,500)	(–301.9)	64.	**Raley's**	270,000	248,000	8.9	n/r	n/r	n/r
n/r	n/r	n/r	65.	**Schultz Sav-O**	261,950	219,373	19.4	1,871	1,263	48.1
(– 6,989)	9,829	(–171.4)	66.	**Delchamps**	260,000	200,000	30.0	n/r	n/r	n/r
17,859	16,957	5.3	67.	**DeMoulas**	252,000	227,789	10.6	n/r	4,885	n/r
3,934	1,631	141.2	68.	**Handy Andy**	250,000	252,000	(– 0.8)	n/r	n/r	n/r
7,827	7,016	11.6	69.	**Star Supermarkets†**	248,904	228,282	9.0	3,135	2,154	45.5
22,380	20,881	7.2	70.	**Victory Markets†**	241,614	181,249	33.3	1,037	1,120	(– 7.4)
13,132	12,101	8.5	71.	**Red Food**	239,000	203,000	17.7	n/r	n/r	n/r
500	5,800	(– 91.3)	72.	**Mott's**	234,792	211,233	11.2	2,888	2,786	3.7
n/r	n/r	n/r	73.	**Village†**	232,165	206,319	12.5	1,004	1,141	(–12.0)
n/r	n/r	n/r	74.	**Fred W. Albrecht**	231,000	201,000	14.9	n/r	n/r	n/r
9,406	6,614	42.2	75.	**Brookshire**	230,000	209,000	10.0	n/r	n/r	n/r
n/r	n/r	n/r	76.	**Minyard***	228,600	180,000	27.0	n/r	n/r	n/r
n/r	n/r	n/r	77.	**Piggly Wiggly [RR]**	226,000	225,000	0.4	2,000	n/r	n/r
28,880	24,587	17.5	78.	**Country Club**	220,000	190,000	15.8	n/r	n/r	n/r
1,397	(– 3,666)	138.0	79.	**Jitney-Jungle**	219,186	185,676	18.0	n/r	n/r	n/r
n/r	n/r	n/r	80.	**Thorofare Markets**	218,347	200,908	8.7	1,411	823	71.4
n/r	n/r	n/r	81.	**Ingles**	249,000	212,000	17.5	3,475	n/r	n/r
n/r	n/r	n/r	82.	**Randall**	195,750	180,000	8.8	n/r	n/r	n/r
n/r	n/r	n/r	83.	**Milgram**	188,000	180,000	4.4	n/r	n/r	n/r
650,000*	440,000	47.7	84.	**Houchens**	175,000	160,000	9.4	n/r	n/r	n/r
n/r	n/r	n/r	85.	**Lowe's [N.C.]†**	163,423	131,996	23.8	842.7	961.1	14.1
2,097	15,032	(– 86.0)	86.	**Scrivner**	616,000*	550,000	12.0	n/r	n/r	n/r
4,162	3,222	29.2	87.	**Furr's**	616,000*	550,000	12.0	n/r	n/r	n/r
7,002	4,488	56.0	88.	**Bi-Lo's [S.C.]**	604,800*	540,000	12.0	n/r	n/r	n/r
18,892	15,989	18.2	89.	**Big Bear**	420,000*	375,000	12.0	n/r	n/r	n/r
13,170	9,480	38.9	90.	**Fareway**	246,400*	220,000	12.0	n/r	n/r	n/r
780	2,153	(– 63.7)	91.	**Mott's**	236,581*	211,233	12.0	n/r	n/r	n/r
n/r	n/r	n/r	92.	**S. M. Flickinger**	204,430*	182,527	12.0	n/r	n/r	n/r
n/r	n/r	n/r	93.	**Tamarkin**	201,600*	180,000	12.0	n/r	n/r	n/r
6,655	4,574	45.5	94.	**Super Value**	201,524*	179,754	12.0	n/r	n/r	n/r
2,542	2,270	12.0	95.	**Peter J. Schmitt**	181,440*	162,000	12.0	n/r	n/r	n/r
6,463	5,933	8.9	96.	**Melmarkets**	174,720*	156,000	12.0	n/r	n/r	n/r
3,884	2,684	44.7	97.	**Save Marts**	168,000*	150,000	12.0	n/r	n/r	n/r
4,704	4,214	11.6	98.	**Consumers Market**	168,000*	150,000	12.0	n/r	n/r	n/r
n/r	n/r	n/r	99.	**Food World**	168,000*	150,000	12.0	n/r	n/r	n/r
n/r	n/r	n/r	100.	**Giant**	168,000*	150,000	12.0	n/r	n/r	n/r

[1] Sales and earnings stated on a *pro forma* basis assuming the combination of Skaggs Cos. and the former American Stores Co. occurred at the start of fiscal 1978.
[2] Includes results from operations since discontinued under Chapter XI bankruptcy reorganization.
[3] Reflects combined operations from May 25, 1978, as though First National (Finast) purchased Pick-N-Pay.
[4] Results for 67 supermarkets.
[5] Includes acquisition of nine-store El Rancho chain, Los Angeles.
[6] Includes general merchandise sales in combo food/department stores.

How the best-run chains put

For years, Florida-based Publix Super Markets has heavily invested in people, public image, quality merchandise and sharply focused point-of-sale presentation of the wide range of goods it sells. So it follows that in terms of management of total assets, the 231-store chain should rank high on the list of best performers.

Indeed it does. This year Publix management and grabbed off the grand prize as best financially managed chain.

Against the 12 weighted calibration points the *Chain Store Age* research/analysis team uses to make its performance comparison, Publix scores high on 10 counts.

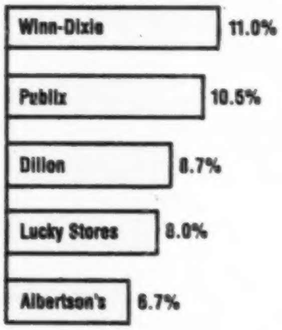
In fact, on five counts (debt/equity ratio; capital investment; GMROI/inventory; cash flow and assets/liability ratio) the high-flying exclusively Sunshine State operator ranks at the top of the list.

Only on financial leverage (the indicator of a company's ability to attract outside investors) and sales-per-employee does this regional food chain fail to make this year's blue ribbon check-off. Since Publix is 100% employee-owned, its relatively low financial leverage ranking has no particular significance. As for its down-the-list showing on employee sales productivity, Publix's $74,378 per employee figure is well above the average of Southern food chain operators who do not have to contend with union contracts. As a result of a different pay scale formula, Southern chains tend to employ a greater number of people per million dollars of sales produced than elsewhere in the country. Payrolls, as a percentage of sales, rank within the industry's current 11%-13% range.

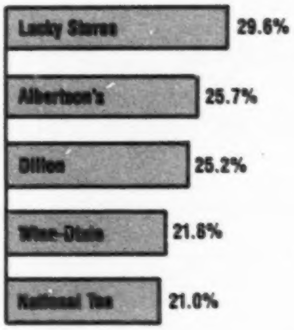
This year's candidate list for best financially managed chain includes all chains whose latest fiscal year ended on or before March 31, 1980. Company annual reports, proxy statements, S.E.C. Forms 10K and related data were used to make the comparisons. Insufficient information was received from A&P, Grand Union, American Stores and Supermarkets General to be included.

Had such material been received, rankings in several instances would have undoubtedly changed. For ex-

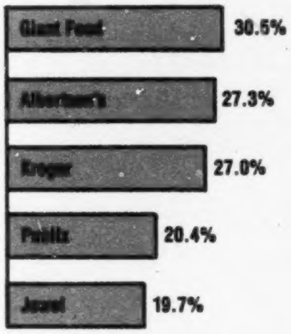
1 Return on assets (ROA)
The top five



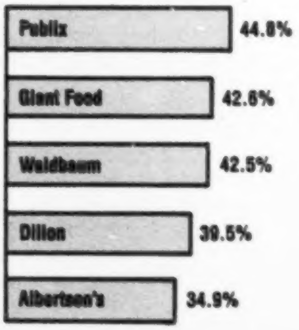
2 Return on shareholders' equity (ROE)
The top five



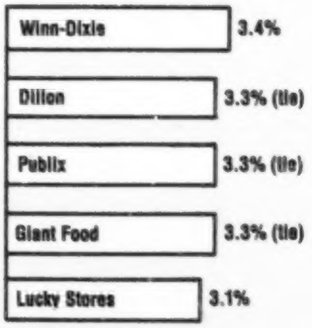
3 Compound growth rate ('75-'79)
The top five



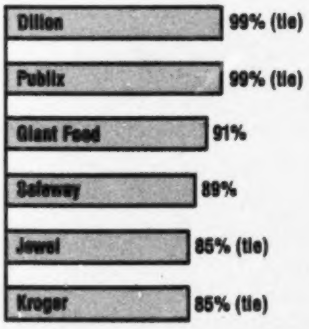
7 GMROI/inventory
The top five



8 Operating income (% sales)
The top five



9 Accounts payable/inventory
The top five



Source: *CSA Research*, Company Annual Reports, S.E.C. Forms 10K

their acts together

ample, as it has for the past five years at least, Supermarkets General (Pathmark) would rank far ahead of all other billion-dollar food operators in terms of sales-per-store productivity. On average, today's Pathmark units grind out per-store sales in excess of $16.5 million a year. Of those chains included in this year's financial performance recap, Maryland-based Giant Food stores produced sales-per-unit in excess of $9.2 million for the fiscal 12-month period. Now fully scanner-equipped, Giant added more than a million dollars in sales per average store over '78.

Last year's best performer, Albertson's dropped back slightly on an overall weighted basis. While the Idaho-based supermarket operator posted particularly outstanding numbers in Return on Shareholders' Equity (ROE), compound growth rate, financial leverage ratio and sales per employee, even this was not enough to withstand Publix' powerful showing.

Close on the heels of this year's two top producers were Giant Foods Inc. (Maryland), Dillon Companies Inc. (Kansas), Winn-Dixie (Fla.) and Lucky Stores (Calif.), in that order. Giant posted the highest compound growth rate, one indicator of a well-managed chain's staying power over the last reportable five-year period.

There's yet another indicator that points up the best-run supermarket companies are the very same ones that show the impact of a wide range of productivity improvements in every facet of their business. That indicator is operating income. This year's top five performers, paced by Winn-Dixie, all produced pretax earnings of at least 3.1% of sales. In last year's recap, only two of the monitored major chains managed to chalk up that level of performance. ☐

Note: This annual financial recap is the result of extensive research conducted by the editors of ***Chain Store Age Supermarkets.*** *Leading Wall Street security analysts were instrumental in developing and validating the weighted yardstick formulas used to determine performance rankings on the following pages.*

4 Financial leverage ratio

The top five

National Tea	3.3 to 1
Albertson's	3.2 to 1
Safeway	3.1 to 1
Kroger	2.9 to 1 (tie)
Waldbaum	2.9 to 1 (tie)
Giant Food	2.9 to 1 (tie)

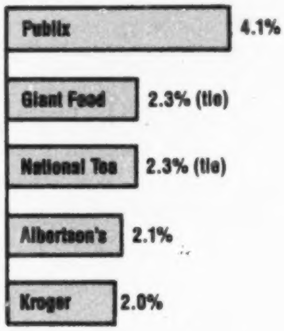
5 Long-term debt/equity ratio

The top five

Publix	0.06 to 1
Dillon	0.2 to 1
Winn-Dixie	0.2 to 1
Jewel	0.3 to 1
National Tea	0.4 to 1

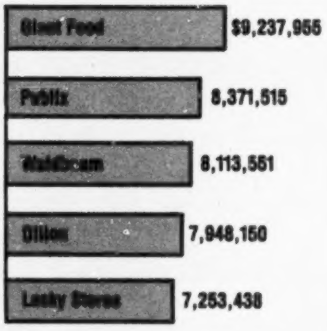
6 Capital investment (% sales)

The top five



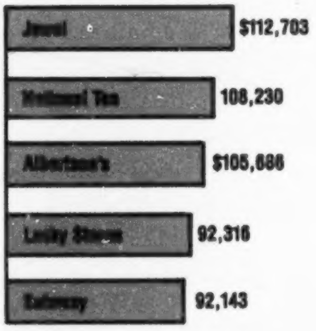
10 Sales per supermarket

The top five



11 Sales per employee

The top five



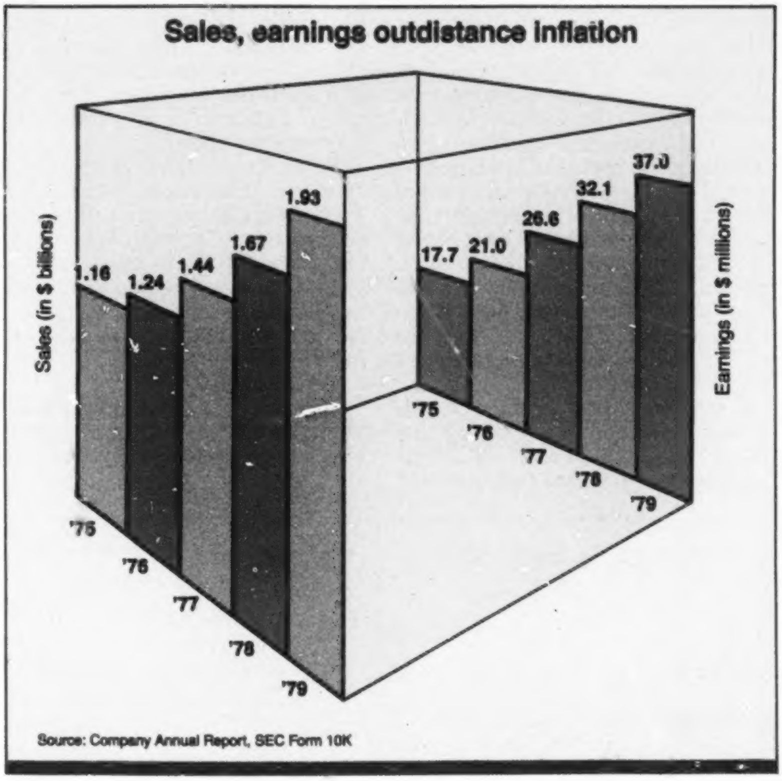
12 Current assets/ liability ratio

The top five

Publix	10.2 to 1
Winn-Dixie	5.4 to 1
Dillon	5.3 to 1
Waldbaum	4.9 to 1
Lucky Stores	4.5 to 1

Note: See page 23 for explanations of chart methodology and terminology.

Publix Super Markets: hottes



Source: Company Annual Report, SEC Form 10K

At a time when food inflation is lapping at 13%, it really is no great feat for a company to increase sales. But to stay ahead of inflation in both sales and earnings takes a little magic.

What, then, does the management of Publix have up its sleeve?

This privately held Lakeland, Fla., chain pulled in nearly $2 billion in sales last year, a 15.6% increase over '78, but more importantly, it outdistanced inflation with a 15.2% increase in earnings, to $37 million. The company's net-to-sales of 1.92% is better than any billion-dollar chain.

"And 1980 looks like it is going to be a good one, too," says Mark Hollis, vice president, communication.

Surprisingly, Publix performs its magic without being as diversified as the other giant chains. Although it does own the 222-unit Danish Bakery chain, the company does not stray from its highly polished food image even though competitors have been successful with heavy nonfoods and general merchandise postures.

Why Publix holds the top spot

Criteria	Calibration	Rank
Return on assets (ROA)	10.5%	2
Return on equity (ROE)	19.2%	6
Compound growth ('75-'79)	20.4%	3
Financial leverage	1.6-1	n/r
Debt/equity ratio	0.06-1	1
Capital investment (sales)	4.1%	1
GMROI/inventory	44.8%	1
Operating income (sales)	3.3%	2
Cash flow (AP/I)	99%	1
Sales per supermarket	$8.4 mil.	2
Sales per employee	$74,378	n/r
Assets/liability ratio	10.2-1	1

Source: *CSA Research*

Hollis said the company plans a record number of supermarket openings this year—15—and 16 new bakeries. Publix will also remodel about 20 stores. Most of the supers will be the chain's standard 37,000-sq.-ft. stores, but several of the highly successful 50,000- to 60,000-sq.-ft. Food World formats are planned for Dade and Orange Counties.

Each of the stores will be scanner-equipped, and the company says it plans to retrofit the entire chain by the end of the year. Last year 73 stores were converted to scanning.

To service its burgeoning territory, Publix is increasing its warehouse and manufacturing capabilities enormously. At its Publix Industrial center in Lakeland, the company built a 160,000-sq.-ft. housewares distribution center and a 16,000-sq.-ft. data processing center.

Construction was started on a 105,000-sq.-ft. frozen food warehouse and dairy plant. Soon to be completed is a 199,000-sq.-ft. produce-dairy cooler, a 24,000-sq.-ft. addition to its bakery plant in Lakeland and a 200,000-sq.-ft. addition to its Jacksonville warehouse.

Charles H. Jenkins Sr., chairman

Perhaps the biggest story lies in the company's finances. In 1978 Publix spent $53.6 million for capi-

performer of the year

The name Publix *has always stood for food; chain has shunned big nonfoods image.*

Publix Fruit Gift Center
IN FLORIDA
Publix, the place for produce.

Located in *heart of Florida's prime growing areas, chain features local produce.*

Company counts *on customer loyalty to help deflect infringement by discounters.*

tal improvement; in 1979 it spent $80 million. In the process the chain actually reduced its long-term debt to $12.2, a manageable 0.05 to 1 debt to equity ratio. None of that debt is financed higher than 9.25%. The company also doubled the dividend it pays.

The chain, which this year celebrates its 50th anniversary, has a long history of sticking with programs that work. For one example, while industrywide use of trading stamps had fallen off sharply in the 70's, Publix continued to use them as an added traffic draw. Says Publix chairman Charles Jenkins Sr., "We've been using S&H Green Stamps for 30 years and they've done well. I think today we are the biggest user in the country."

Publix has quadrupled in size over the last 10 years and is now the nation's 11th largest supermarket chain. Despite its national stature, the company does not do business outside the state of Florida. Of course, with numbers like those, there is no reason to. "Maybe," one northern-based competitor notes, "they just like the weather." ☐

Inflation takes its toll on three chains

While most chains managed to stay ahead of inflation last year, at least three stand out for their inability to adjust quickly enough to the difficult market conditions.

A&P ended its fiscal year Feb. 23 with a $3.8 million loss. The ensuing change of top management suggests an all-out effort will be made to pull the Tea Company into the black this year.

What's the trouble at A&P? A Wall Street analyst says the company "has been unable to attract the new customer base of young marrieds. It's still catering to grandma."

The company's limited assortment stores operating under the PLUS name haven't contributed as much to sales and earnings as hoped. They have recorded solid sales in Baltimore and Washington, where they have been able to project a strong low-price image. But in New Jersey, where price competition can be severe, PLUS has not done as well. A&P plans to unveil 68 PLUS units this year, adding to the 32 opened in 1979.

Still, it wasn't all bleak for A&P last year. The earnings deficit narrowed from $52.2 million in 1978 to $3.8 million last year, a dramatic improvement. A&P says its operating results before taxes in 1979 were slightly profitable, but taxes on the Canadian operations resulted in the aftertax loss.

Stop & Shop's change to LIFO depressed earnings to $14.9 million in 1979; the figure would have been lower but for a strong performance by the company's general merchandise arm. Stop & Shop's mainstay operations are its 150 supermarkets and 83 Bradlees department stores.

The company states that it sees hard times coming for its supers. "It is clear from last year's results that the supermarket company faces severe difficulties. To meet the challenge, we have in place and functioning new management," says Avram J. Goldberg, president and chief executive officer. The company is also working with a new merchandising program and continues to close unprofitable supermarkets in an effort to reduce the drain on earnings.

The general merchandise companies accounted for 93.8% of operating profit of $32.3 million last year. The supermarket company accounted for 65.2% of total sales of $1.9 billion.

Goldberg says the supermarket closings are "going forward with minimum disruption to our people and the communities in which we operate and without adverse financial effects."

Besides supers and Bradlees the company operates 45 Medi Mart drug stores, 48 Perkins tobacco shops, 25 Off the Rax women's specialty shops and the Stop & Shop Manufacturing Co.

Fisher Foods: Dominick's in Chicago had a good year last year in terms of sales and earnings, but the other leg of the Fisher Foods operation, Fazio's in Ohio, plunged the company into the red. Fisher reported a $7 million net loss. About half of the loss is attributable to a switch to LIFO.

Fisher explains the loss is also the result of its Ohio store closings. The company was only partly successful in Ohio with its conversion of 22 failing supermarkets into warehouse stores. Some of these have since been closed, along with more supers. The closings required that $10.2 million be set aside as a reserve and this sum, reported as a cost, helps explain last year's red ink.

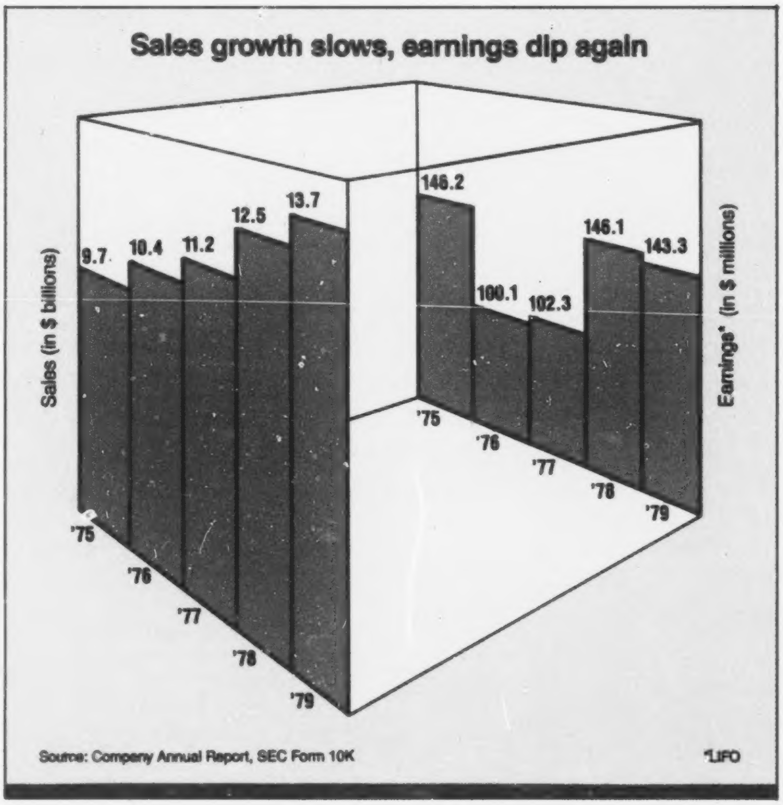
Fisher management says the reorganization begun in 1978 is now complete and that the company is going to be profitable as it is currently positioned. ☐

Safeway builds on superstore base

BLUE RIBBON PERFORMER

Safeway closed out 1979 with a dip in earnings and a sales gain that can only be described as modest for the nation's largest supermarket chain. Management nevertheless sought to assure shareholders the company was experiencing real growth, not just the effects of inflation, and that it will be well positioned for the 1980's, the decade of the superstore.

Chain expects to have over 475 one-stop shopping centers in operation by year-end.



Source: Company Annual Report, SEC Form 10K

*LIFO

Safeway's sales climbed 9.3% to a record $13.7 billion last year. Management explained this was chiefly the result of inflation and increased floor space. The chain is building larger stores at a rapid pace, many in the 40,000-sq.-ft. category. Company officials say the larger stores are attracting more customers, which would constitute real growth, and customers are spending more per shopping trip, which in an inflationary period does not automatically mean real growth. The sales gain in 1979 was less on a percentage basis than the 11.6% gain the prior year.

Safeway officials offer a twofold explanation for the relatively slow pace of sales growth last year. First, there was a heavy emphasis on cash games in 1978, which brought an increase in traffic that was difficult to maintain in 1979. The second factor was that 77 new stores opened late in 1979 and did not make a full-year contribution to sales. These units, plus another 136 that were under construction at year-end, will buoy sales this year.

Net income slipped in 1979 to $143.3 million from $146.1 million, the result of the same factors that affected sales growth last year and the "Price Cutter" discount program instituted by Safeway to improve the company's price image at a time when price competition is increasing. Peter A. Magowan, who took over as Safeway chairman and chief executive officer this year when William S. Mitchell retired, says the price discount campaign was necessary to shore up the company's price image with consumers and that the dampening effect on profits was anticipated.

Magowan says the superstore building program, steady expansion overseas, better merchandising of nonfoods and innovations in warehousing and advertising will add up to "favorable results" for Safeway in 1980, which will be a 53-week year for the company.

However, results for first-quarter 1980 do not show any evidence of a dramatic improvement. Sales rose 7% to $3.26 billion while earnings fell 45% to $12.5 million. □

Asset management and research are keys to Kroger's success

BLUE RIBBON PERFORMER

Despite its recently sluggish performance, the Kroger Co. stands firmly, its head far above those of most competitors and its executives confident of the future.

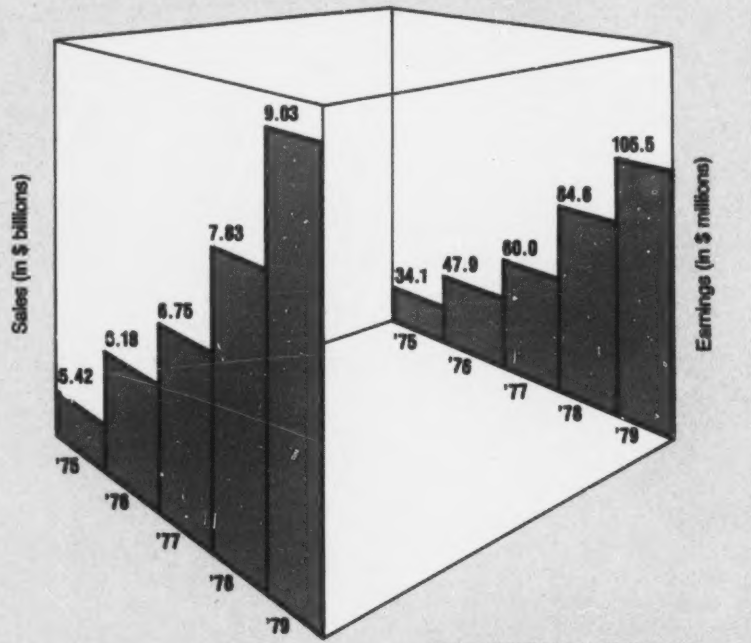
The nation's second largest food chain tallied $9.03 billion in sales in 1979, up 15.3% from 1978. On the LIFO system to which it returned last year (Kroger used LIFO from 1950 to 1973), net earnings were $85.7 million. Using comparable FIFOO figures, however, earnings were $105.5 million, a 24.7% gain over 1978.

The picture turned darker during the first quarter of 1980, which ended March 22. Despite a 13.6% jump in sales over first-quarter 1979 to $2.19 billion, earnings dropped 21.1% to $12.25 million. The chain attributes the dive to the effects of a strike that shut 50 stores in West Virginia for a month, as well as rougher price competition and rising operating costs. Spokesmen say, however, that the setbacks are temporary.

Behind Kroger's confidence is a period of growth and revitalization, begun in 1972, which brought Kroger in 1978 to its current spot as the No. 2 United States food retailer, with 1,234 supers in 21 states. In 1972, the average Kroger outlet measured less than 19,000 sq. ft. Total retail food space was not quite 26 million sq. ft.; average sales per store were $49,000 a week. Over the last eight years, Kroger closed 869 outdated units, remodeled 465 and opened 674 more, bringing total food space to 32.5 million sq. ft. The average Kroger today covers more than 26,000 sq. ft. and has weekly sales of $130,000.

> **'We ask *shoppers* what they want and we respond *to those needs'*** —Lyle Everingham, ceo

Sales beat inflation while earnings soar



Source: Company Annual Report, SEC Form 10K

*Earnings for 1979 stated on FIFO basis for comparison. On LIFO basis, earnings were $85.7 million.

In 1979 alone, Kroger's capital-expenditure tab came to $177 million. It opened 88 stores and remodeled 91. In 1980, it plans to open 120, remodel 52 and start work on a new dairy and a frozen-dough plant. Kroger expects $200 million in capital expenditures in 1980.

But capital expenditures are only part of the Kroger plan. The chain works at farsighted financial planning, concentrates on asset management and has a strong personnel training program. It has developed, and continues to work on, a merchandising concept that gears operations to the needs of consumers. In 1979, for instance, research teams interviewed 120,000 customers to find out what they wanted in a store. Such recent in-store additions as the 840 in-store deli-bakes and 115 cheese centers came as a result of consumer research.

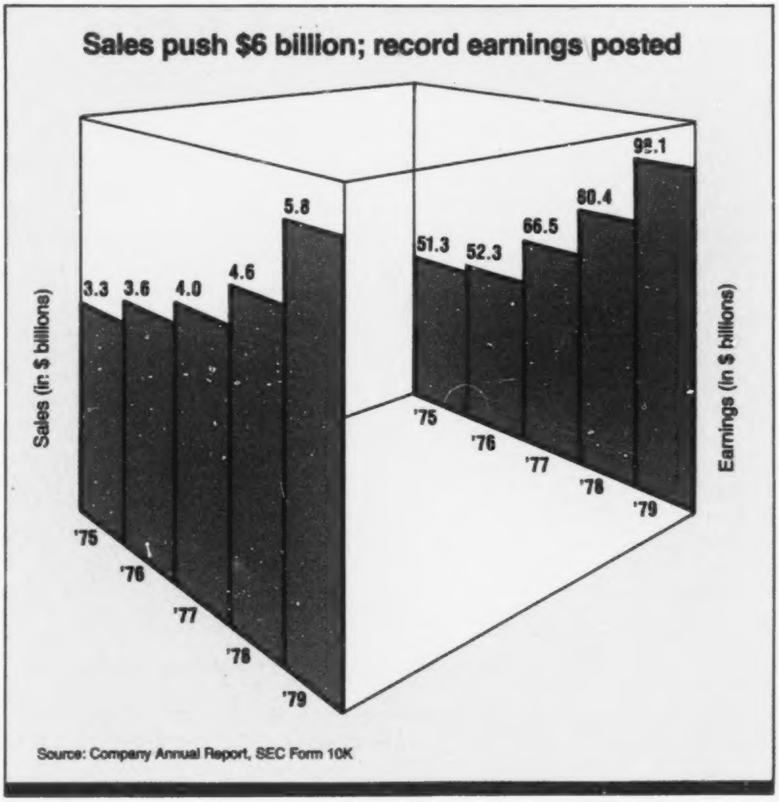
Innovations of this sort are not new to Kroger. The chain now operates 39 Kroger Sav-On combination stores and 25 similar Family Centers, and those numbers are expected to grow. It operates 21 Bi-Lo limited assortment stores and three giant Barney's Food Warehouse units.

Kroger's current weak spot is its 504-store SupeRx drug operation, which last year accounted for about 6.3% of total chain sales. SupeRx sales rose a modest 9.2% over 1978, to $567 million. But operating profit nosedived 43%, from $22.6 million to $12.8 million.

Chain management compares the SupeRx posture to Kroger supermarkets of 10 years ago, before they were modernized. Chairman Lyle Everingham says careful steps are being taken to remerchandise SupeRx outlets as drug stores first and foremost. Kroger plans to open 40 new drug outlets and remodel 25 more this year. ☐

Lucky: diversification nets profits

Nonfoods account for close to 20% of volume at Discount Centers.



Sales push $6 billion; record earnings posted

Source: Company Annual Report, SEC Form 10K

Eclipsed by higher-profit spokes in its diversification wheel in recent years, Dublin, Calif.-based Lucky food stores returned to favored-son status in fiscal 1979 to spark the chain's record-setting year.

Compared to 1978, the California chain's food stores increased their pretax earnings 50% (after adjusting for LIFO). Sales rose 29%.

Food stores also corralled a bigger share of corporate sales, rising from 61% to 63%, as well as contributing 44% to the corporate pretax earnings package vs. 33% for the prior year.

The number of food stores (most of them 30,000-sq.-ft. Lucky Discount Centers) has risen from 392 in 1975 to 509 in 1979, and Lucky plans to open 35 more this year. Twenty-seven per cent of the chain's food stores are three years old or less.

Newly opened Lucky Discount Centers show a space mix of two-thirds food and one-third general merchandise, a format consistent with the 136 units opened in '77, '78 and '79.

Lucky also operates 200 21,000-sq.-ft. conventional supermarkets with a more modest 8%-10% of the space allocated to nonfoods. This year the chain will convert three of the conventionals to discount centers; 16 were converted in 1979.

In addition, Lucky operates 21,000-sq.-ft. food departments in 76 Gemco-Memco discount department stores. Seven new Gemcos are to come onstream in 1980.

Last year was an acquisition year for Lucky. Food stores were front and center in this expansion thrust: 48 Kash N' Karry stores in Florida and 12 Scolari's in central California were picked up. As further evidence of Lucky's commitment to the retail food business, the chain acquired 11 Ralphs supermarkets in northern California.

The chain is expanding distribution facilities as well. Grocery and produce at the Buena Park facility in southern California will be relocated to a 75-acre tract in Irvine, 25 miles south, early in 1981. In turn, this will allow the Buena Park facility to expand meat, deli and nonfoods.

This fall a 490,000-sq.-ft. warehouse will open in Houston. In addition to grocery, produce and deli, 90,000 sq. ft. will be devoted to nonfoods. Upcoming in 1982 is a warehouse in Indiana.

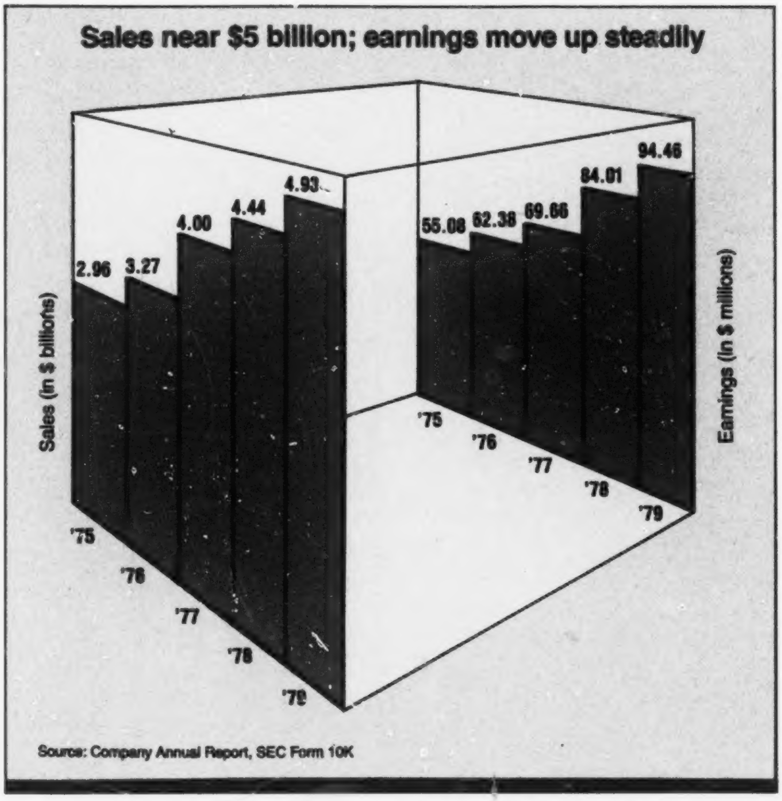
The upbeat in food during 1979 helped to cushion the downbeat of restaurants and specialty apparel stores. These latter two retailing arms fell behind the preceding year in pretax earnings, although showing modest increases in sales.

Overall, Lucky ended the fiscal year with 1,472 stores operating in 33 states. Sales for the 53-week year ended Feb. 3, 1980 increased 25% as compared to the previous 52-week year: up over $1.1 billion to $5.816 billion in 1979. Earnings rose 22% above 1978 results to $98.1 million in 1979.

This year Lucky will open 14 restaurants, 60 automotive stores, 22 specialty apparel stores and 12 fabric stores. ☐

Winn-Dixie rides Sunbelt boom

Winn-Dixie has once more parleyed its strong position in major Sunbelt markets into a 45th consecutive year of higher sales. Net earnings, up in 30 of the last 31 years, also rose, actually outpacing volume gains by a modest percentage.


Sales near $5 billion; earnings move up steadily

Source: Company Annual Report, SEC Form 10K

The chain's 52-week sales stayed slightly ahead of inflation—though lagging behind the food industry average—with an increase of 10.9% to $4.93 billion, up from the prior year's $4.44 billion.

While the growth rate dropped for the second straight fiscal year, 1978 actually included four additional days. Adjusting for this, sales show an 11.7% increase in fiscal 1979, besting the previous year's 11.2% gain.

Higher labor and energy costs contributed heavily to a 15.3% jump in operating and administrative expenses, but profit performance remained good. Net income surged 12.4%, advancing to $94.5 million from fiscal 1978's profit of $84.0 million.

Hoping to maintain growth by replacing outmoded and unprofitable units with more productive ones, Winn-Dixie opened 89 supermarkets in fiscal 1979. Over the same 12-month period, the Jacksonville, Fla., chain closed 54 units and sold another 29 for a net gain of only six supers.

Winn-Dixie bucked the prevailing trend by boosting construction of new stores in first-half fiscal 1980. Forty-eight units have come on line so far, with another 68 stores slated to join them by year's end. Winn-Dixie operated 1,207 supermarkets as of Jan. 10, 1980, but has since acted to spin off some Oklahoma units.

Average sales per store leaped from $3.81 million in fiscal 1978 to a hefty $4.24 million in fiscal 1979, but the relatively small size of even the newest Winn-Dixie stores could limit future gains. While outfits like Kroger concentrate on building high-volume superstores, the typical new Winn-Dixie measures just 24,000 sq. ft.

Scanning is one area in which the chain is completely up to date. After a successful seven-store test in 1978, Winn-Dixie threw scanner implementation into high gear in fiscal 1979. The company put scanning into 100 new and renovated supers last year, and it has equipped 82 stores so far in fiscal 1980. Winn-Dixie now has more scanner stores than any other chain, leading runner-up Giant Food by 60 systems.

Some observers challenge this emphasis on scanning, noting that the chain's units aren't big enough to get maximum benefits. Yet the retailer is totally committed to the idea, hoping that scanning will improve productivity at least enough to cover labor's increasingly strident demands.

In fact, Winn-Dixie's labor situation is a time bomb that could explode right in its corporate lap. Only about 1% of the supermarket chain's employees claim union affiliation, but the United Food and Commercial Workers Union, formed by a merger of the retail clerks and meatcutters groups, is applying a lot of pressure to change this.

Over the years, the company has endured several lengthy strikes to emphasize its "hard line" stance toward organized labor. So far it has successfully resisted union pressure, but the threat of serious labor strife continues to cloud Winn-Dixie's horizon.

Like many of its competitors, Winn-Dixie is finding the current fiscal year tough-going. Despite runaway inflation, sales have climbed just 7.8% in the first half. Sales for the 28-week period were $2.78 billion, compared to $2.58 billion in the comparable first half of fiscal 1978. Profits dipped to $44.3 million from $45.4, primarily because the LIFO charge rose to $14.8 million from $13.4 million.

Will Winn-Dixie be the next major chain to land on the financial hot seat? It's hard to bet against a proven winner, but being in the right place (the Sunbelt) at the right time (the booming 1970's) may no longer be enough. Small store size, fresh challenges in some markets, aging top management and ongoing labor woes will have Winn-Dixie scrambling to keep growing this year. ☐

Jewel: records despite slow sales

The Chicago-based Jewel Cos. logged a second straight year of record sales and earnings in 1979 despite sluggish performance in its United States food operations.

Consolidated net earnings rose 23.2% from 1978, to $50.68 million. Sales—not including those at Aurrera S.A., Jewel's 41.7%-owned Mexican subsidiary—added up to $3.76 billion, a 7.1% increase over 1978. Jewel officials note, however, that the "real" sales jump is 10.5% since 1978 was a 53-week year and that $43.5 million in 1978 sales came from an unprofitable general merchandise division scuttled in mid-1978.

Jewel appears well on its way to meeting two goals it set a year ago for 1981: a minimum 15% return on equity and earnings of at least 1% of sales. At the end of 1979, Jewel logged a 14% Return on Equity (ROE), up from 1978's 12.1%, and had earnings of 0.96% of sales, up from 1978's 0.93%.

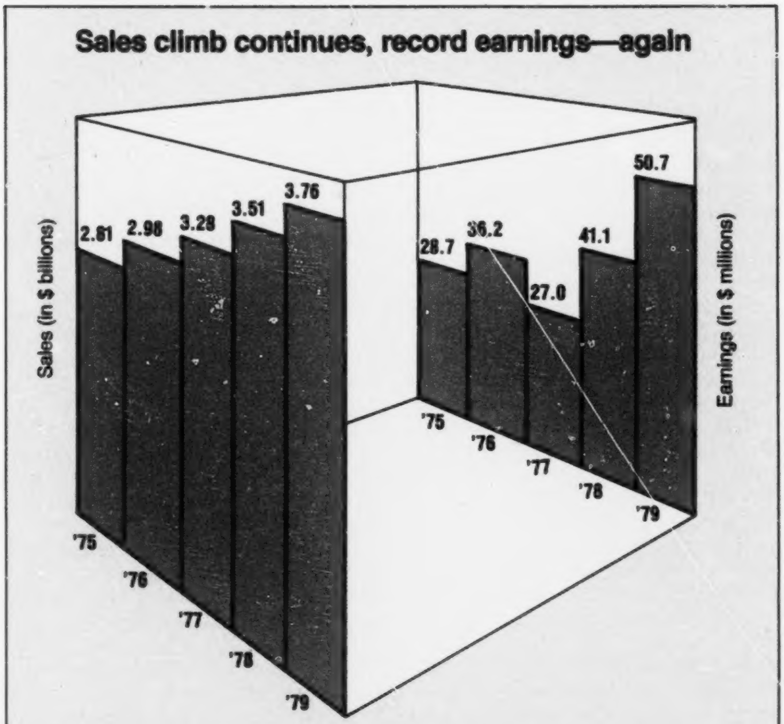
The star performer was Aurrera. Jewel equity in Mexico's leading private retailer brought $14.5 million to the firm's earnings column, a 71.6% jump over Aurrera's 1978 contribution. Contribution to the bottom line by United States divisions, on the other hand, was $36.14 million, a 10.6% increase over 1978. Supermarket sales increased a scant 5.1%.

The biggest drain was the cost of rapidly expanding the Jewel T limited assortment store division. Sticking to its initial projections, Jewel upped the number of box stores from 20 in four states at the start of the year to 100 in eight states 12 months later. But the price was high. Jewel T losses more than quadrupled, hitting 24 cents per share, from 1978's losses of 6 cents per share. Jewel expects losses to continue this year as it opens 58 more Jewel T's in existing markets.

Despite the lackluster sales at supermarket divisions, overall operating earnings rose 10.2%. The largest division, Jewel Food Stores, improved operating earnings by 19%, but Eisner's contribution fell because of fierce competition and sales declines in areas where upgrading is yet to be completed. Star and Buttrey divisions posted modest gains.

OSCO DRUG
HOME OF GENERIC FOODS
Jewel
GRAND OPENING

Chain continues to look for another new drug partner, after collapse of Pay Less buy.


Sales climb continues, record earnings—again

Source: Company Annual Report, SEC Form 10K

Includes Aurrera S.A., Mexico

Jewel Cos. operated 357 supers at year-end, not counting limited assortment stores and agency outlets, a drop of seven units from 1978. But total floor space rose by 3.3% to 10.6 million sq. ft., a little less than the 11 million sq. ft. originally planned. Another 35,000 sq. ft. of new space is planned this year.

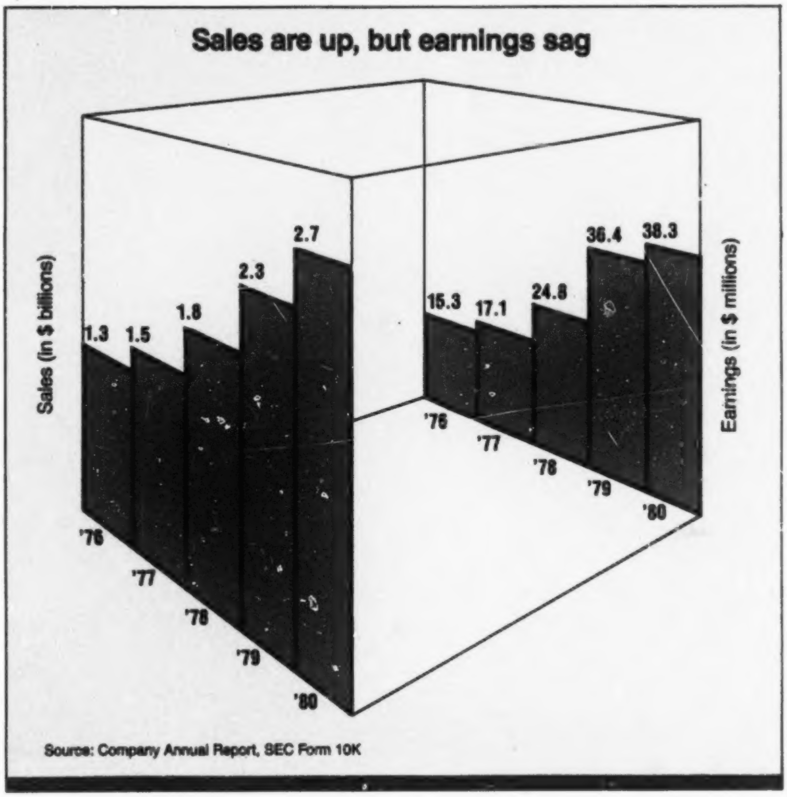
The Osco drug store division performed well, posting a 13% operating income increase on added sales of 15%. Twenty-four new outlets were opened. Osco square footage at year's end was 4.6 million sq. ft., up 5.4% from the end of 1978. Additions planned this year should bring that to 5.1 million sq. ft.

Following a long-standing pledge, Chairman Donald S. Perkins will step down this month after 10 years at the job. He will be succeeded by president Weston R. Christopherson, who in December assumed Perkins' other title of ceo. ☐

Inflation dims Albertson's net

We really care.
We really care.
We really care.

Much of chain's success has been built on superstores featuring service such as deli.



Source: Company Annual Report, SEC Form 10K

Although the Idaho-based chain has slipped a little from the performance that made it *Chain Store Age Supermarkets'* choice as last year's best-managed chain, Albertson's still compiled a record many operators would envy.

Sales zoomed 17.8% during the fiscal year ended Jan. 31, 1980, rising from $2.27 billion to $2.67 billion. Since the prior year had 53 weeks, however, adjusted sales increase was actually closer to 20%.

Inflation made a strong impact on Albertson's bottom line. A switch to the LIFO method caused the 384-unit chain to incur a charge of $6.2 million on its inventory. On a comparable LIFO basis, total earnings for the year would have been $44.5 million, a solid 22% gain. As it was, Albertson's rolled up a net profit of $38.3 million, 5.2% more than the previous year's $36.4 million total.

As might be expected, this kind of track record has made the food retailer the object of desire for at least one foreign investor. During the year's final quarter, Theo Albrecht Stiftung, a West German trust, acquired 460,700 shares of Albertson's stock, representing a 6.2% interest in the company. Quick action by the board of directors blunted the possibility of a complete buy-out, which would have been difficult in any case, unless founder J. A. Albertson elected to dump his 23% interest. Albrecht's announced plan is to increase its participation, through a second stock purchase, to 9.9%, but Wall Street now views the Albrecht moves as a passive investment.

"Spiraling real estate costs made the selection and procurement of new store sites more difficult," notes chairman of the board Warren E. McCain, "but we were still able to negotiate acceptable economic terms and open 30 new stores representing 1,171,000 sq. ft. of space during the year, including 11 of the large food/drug combination units in Florida and Texas." The other 19 units are located in California, Colorado, Idaho, Montana, New Mexico, Oregon, Utah and Washington.

The chain's total capital expenditure of $55 million included major renovation of 14 existing stores. At the same time, 11 older units closed their doors for good.

Maintaining modern facilities is an important part of Albertson's success formula. The chain has built or remodeled 90% of its current units since 1970. Over the same period, it has closed 97 supers that weren't contributing to net earnings.

Albertson's intends to cut new store construction slightly over the next five years, building 25 units annually between now and 1985. Many of these are certain to be 55,000-sq.-ft. food/drug combinations. This type of unit, pioneered by Albertson's and Skaggs in a celebrated joint venture, now account for 28% of the Boise chain's sales. There are 59 combos in operation in Alabama, Florida, Louisiana and Texas, and the retailer intends to bring the concept into its main western United States trading area in the near future. ☐

Supermarkets General: market calm in New Jersey boosts profits

One company's misfortunes sometimes spell opportunity for another. That's exactly what happened in the case of Supermarkets General Corp. Pathmark Supermarkets' Woodbridge, N.J.-based parent notched sharply higher sales and earnings for the fiscal year ended Feb. 2, and a temporary lull in competition in the northern New Jersey market area probably deserves most of the credit.

Primarily due to unusually high year-to-year growth registered by its Pathmark division, SGC scored 15.1% higher sales and 13.7% higher net income for the fiscal year, despite a weakening trend in the final quarter that has, to some extent, carried over to the opening weeks of fiscal 1980.

SGC recorded sales of $2.37 billion for the year, up from fiscal 1978's $2.06 billion. Net earnings were $23.5 million for the same period, vs. the year-ago total of $20.6 million. It is worth noting that fiscal 1978 was a 53-week year, and that revenue from the sale of discontinued operations swelled profits by $3.6 million during that year.

LIFO also played a major role in limiting SGC's earnings growth during fiscal 1979. Talking the results of the LIFO accounting method into consideration, earnings per share increased to $2.67 from fiscal 1978's $2.42. Calculated on a FIFO basis, however, earnings per fully diluted share would have actually been $3.15 in the most recently completed fiscal year, against $2.20 per share in fiscal 1978.

Pathmark, which accounts for 87% of Supermarkets General's sales volume and 83% of the company's profits, racked up mammoth gains in both statistics during late 1978 and the first half of 1979, because several rival New Jersey operations either retrenched or went bankrupt. Pullbacks by Food Fair and First National Stores, in particular, eased the pressure on supermarket gross margins in the region, as well as decreasing the need for promotional spending. Of course, as shuttered Finast and Pantry Pride units began reopening under new banners, things began to heat up again in this generally hotly contested market.

Now, in fact, the situation has altered markedly. Instead of the relatively clear sailing it feasted on six months ago, Pathmark is engaged in what amounts to a price war with nearby competitors that has already spread from North Jersey to engulf much of the New York City Metropolitan Area.

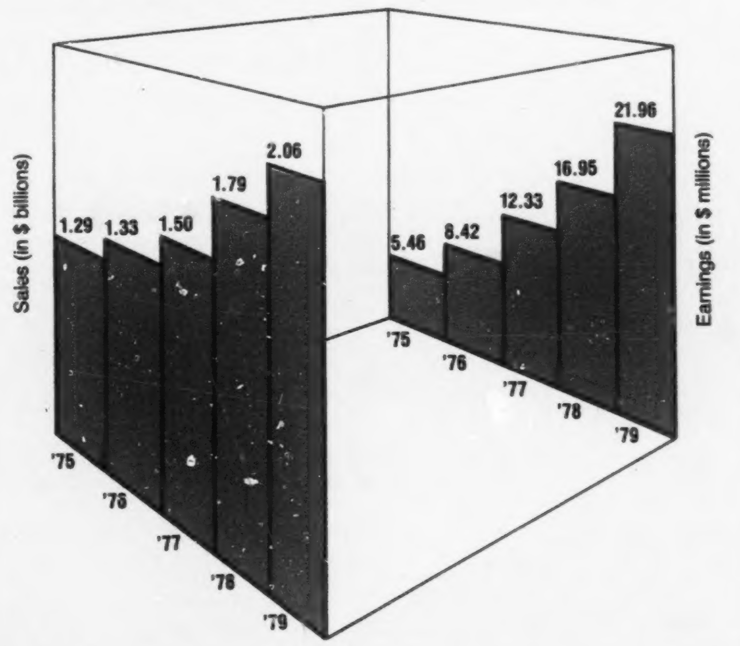
The supermarketer is facing the sternest challenge to its low price image in its entire history. A&P (Plus) and Grand Union (Basics Food Warehouse) are beating the promotional drums for price, as is its longtime competitor ShopRite. Pathmark's counter is "warehouse prices," designed to save shoppers money on selected items.

Pathmark gained five supers in fiscal 1979, opening six and closing one. There were 18 enlargements or major renovations. (SGC also opened five nonfood outlets during the period.)

Expansion will continue, but delayed Government approvals and the condition of the mortgage market may reduce the number of new Pathmarks below the 12 now planned. The stand-pat policy the chain appeared to adopt a few years ago is clearly a thing of the past.

Pathmark currently seeks to widen its trading area with stronger moves into the population-dense areas of Pennsylvania and Long Island. This not only pumps more customers through its checklanes, but would act to minimize the ups and downs in performance caused by the volatility of the New Jersey market in which most of its stores are now located. ☐

Pathmark sales, profits advance strongly*



Source: Estimates based on Company Annual Reports

*Does not reflect other SGC divisions.

Giant takes competition in stride

Long the Washington, D.C., area's highbrow supermarket chain, Giant Food this year found itself in an alley fight, but it emerged intact, barely getting its hair mussed.

Giant's figures were once again record-setters. Sales increased 15% to $1.24 billion, and net earnings rose 5.6% to 17.9%. Net-to-sales slipped this year to 1.44% from 1.56%, but by current industry yardsticks that ratio is still anything but standard.

The lower net-to-sales reflects Giant's determination to protect its home turf from a passle of interlopers, especially discounters. A&P's Plus stores, which opened last fall, upset the Baltimore-Washington apple cart and triggered a mini-price war between Giant, Safeway, Grand Union, Pantry Pride and other warehouse and independent operators.

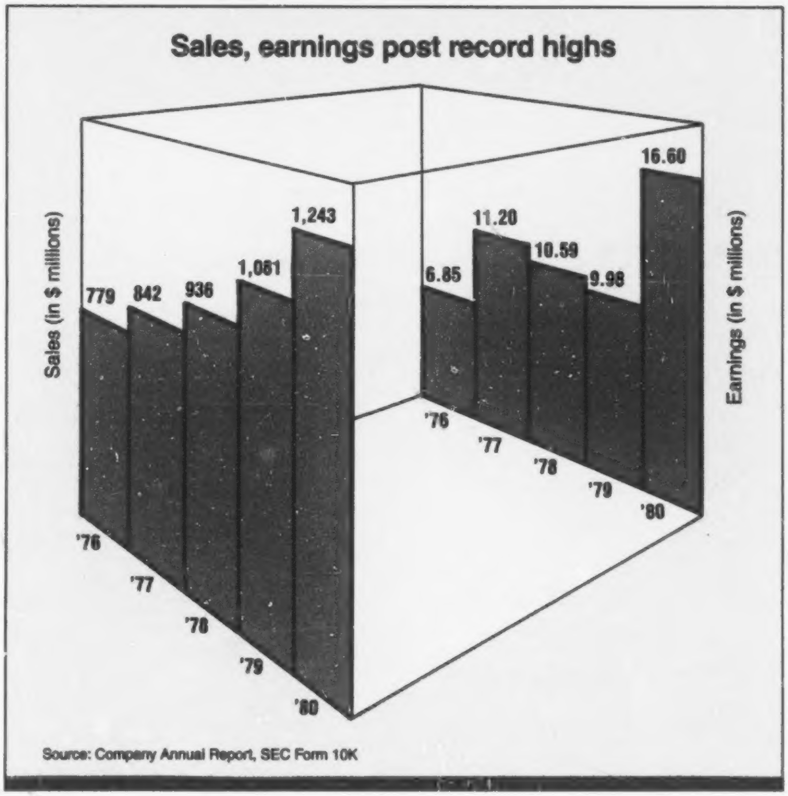
A company spokesman says "Giant is committed to maintaining and building its sales volume as the best guarantee of proper profit performance."

During the fiscal year ended in February, Giant opened four new combination units and completed major remodels on three others. Three units are scheduled for completion this summer, and another trio is due to debut this fall. That will give Giant 127 stores in the Washington-Baltimore area. The company also operates 28 Pants Corrals (specializing in Levi's clothing), five garden centers and a gas station.

In its steady and continuous growth, Giant has been emphatic in its presentation of full-service food-drug combos, generally about 40,000 sq. ft. Discounting or not, management firmly believes that services and specialty departments are the key to keeping the registers clicking.

And last year Giant became the first major chain to switch all its front-end operations to optical scanning. That changeover is part of the reason Giant was able to trim margins to meet the competition and still turn a good profit.

***Total number** of units in the Washington-Baltimore area will be 127 by year-end.*


Sales, earnings post record highs

Source: Company Annual Report, SEC Form 10K

The chain also changed its operations organization to meet its ever-growing needs. The company divided supermarket operations into two zones, east and west, under which are five and four districts, respectively. Each of the nine district managers is responsible for about 15 stores.

The system is designed to clearly define the store manager's responsibility and give Giant's meat, deli, produce and grocery specialists more time to concentrate on their areas of expertise.

In its role as the mid-Atlantic area's model corporate citizen, Giant this year became the first major chain to open in center city Washington after a decade of abandonment by big chains. "After 7th and 0 Street," claims Giant chairman Israel Cohen, "things will start to happen." □

Bold growth plans for 1980 keep Waldbaum's a step ahead of rivals

BLUE RIBBON PERFORMER

Waldbaum Inc. broke the $1 billion sales barrier for the first time last year and, through the early part of 1980 at least, remains stubbornly immune to the business slowdown.

Despite a precarious 0.71 profit-to-sales ratio that was whittled, in part, by heightened price wars in its tristate trading region, the Central Islip, N.Y., food chain racked up record year-end earnings of $7.8 million. That's a gain of 11.6% over calendar year 1978.

To a large extent, the 17.2% increase in total volume reflects rampant inflation. Waldbaum officials credit the sizzling sales pace to the opening of 13 new superstores and the shedding of six marginal units.

Eager to broaden the product mix, yet hounded by soaring utility and occupancy costs plaguing the Northeast, management has settled for middle ground by introducing 30,000-sq.-ft. units. The decision is paying off, as average store sales jumped past $8 million and average sales per selling square foot climbed to roughly $400.

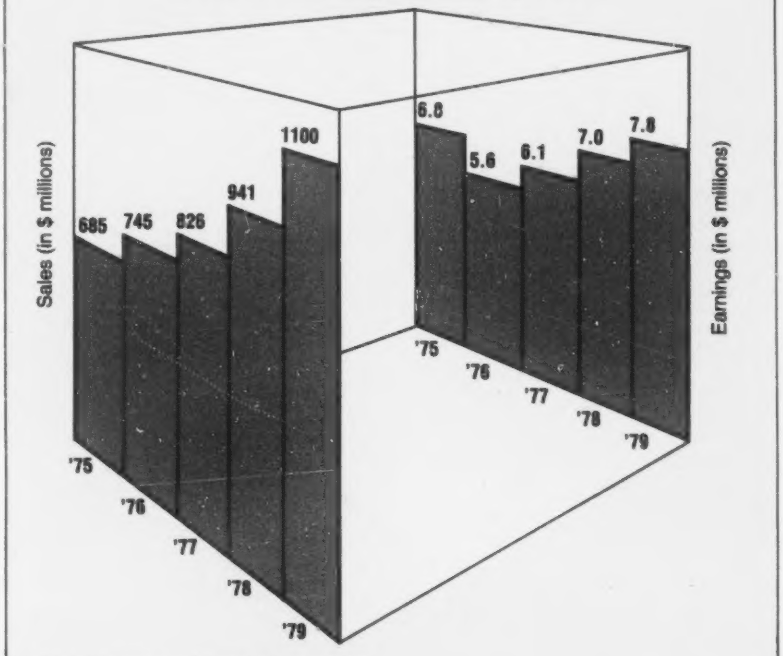
At the close of its fiscal year, Waldbaum's operated 136 supermarkets in New York and parts of neighboring Massachusetts and Connecticut, including the 35-store Food Mart division headquartered in the Bay State.

Since April, the publicly owned chain has hatched two new superstores on New York's overstored Long Island, its most familiar turf. But Waldbaum's holds a valuable ace over capital-hungry competitors harshly restrained by tight credit and exorbitant borrowing rates: A strong balance sheet allows the company to internally generate funds for capital expenditures.

'Our strong balance sheets provide us with the flexibility to move forward'

—Ira Waldbaum, president

Sales, earnings in steady rise



Source: Company Annual Report, SEC Form 10K

With a growing number of retailers showing signs of a recessionary pallor by selling off existing units and cutting back on new construction in an effort to replenish anemic coffers, Waldbaum's plans of at least 10 new stores makes its portfolio that much more attractive.

Since the first Waldbaum's opened for business more than 75 years ago, the principle of being basically a food store operation has remained intact. Even today, with most supermarketers dabbling in "outside" interests or seeking safer margins with expanded general merchandise, Waldbaum's sticks firmly to what it does best—selling food.

To his credit, Ira Waldbaum, president and son of the chain's founder, has nurtured a symbiotic relationship with the store's millions of loyal shoppers. But this allegiance has never been put to a tougher test than in the past 18 months.

Consider the Waldbaum's store on Northern Boulevard in Queens, N.Y., that was forced to plaster "We will not be undersold" signs on its front window earlier this year to dilute the initial impact of an A&P Plus store opened across the street.

Further price-slashing emerged with the full-scale rage of double couponing throughout most of its trading areas.

Seen by some as an alternative to the tightening marketplace, Waldbaum's is now laying the groundwork for a supermarket in Poughkeepsie, N.Y., following the success of its Kingston, N.Y., unit.

Either way, it's certain that an auxiliary warehouse to its 550,000-sq.-ft. Long Island depot will soon be necessary to serve the growing number of New England and upstate New York stores. □

New in nonfoods

- *July will see Gillette's national launch of Swivel, a new disposable razor with a pivoting head.*
- *On-box coupons on 6-packs of Trop-Artic motor oil is a first for Phillips Petroleum. The program, up for buy-in by the trade this month, offers coupons good for $1 off the next purchase.*
- TV Guide *is developing a portable kiosk for supermarket display of all checkout items. The signed, four-wheeled kiosk is designed for a high-traffic location close to the frontend.*
- *After a four-week test in Sacramento and Charlotte, N.C., Corning Glass Works is making available Sprout Farm Kits to supermarkets as well as other retail outlets this month. The kits retail for $9.99 and come complete with everything shoppers need—from a glass petrie dish to a sprout jar to actual seeds—to grow their own sprouts. National TV ad support will run Nov. 14-Dec. 14.*

- *Schmidt Labs is going national with vaginal anti-itch products.*
- *Harlequin is betting that its success with romances will rub off on its new line, Raven House Mysteries. Now in test, the line will introduce four new titles per month. Initial launch in food stores will display books on off-shelf, cardboard merchandisers.*
- *Aqua Fresh toothpaste from Beecham is brightening smiles of supermarketers around the country. The entry grabbed about a 15% market share in the fourth quarter of '79.*
- *Will Fuji Co., well-known for its film products, introduce audio and video tapes to supermarkets? "It's possible," notes a company source. With the video market so active these days, the $15-$20 tapes are a natural for supers going into broader GM lines.*

Convenience stores get firmer foothold

Convenience stores are elbowing supermarketers for more room in the nonfoods marketing arena. Not only has the number of C-stores soared 114% over the past 10 years to 33,904 outlets, but 75% of C-stores now carry broader nonfoods offerings.

C-stores rely more heavily on such nonfoods categories as toys, school supplies, stationery, pet supplies, housewares, magazines, automotives, film and flash, batteries and soft goods because the old C-store formula just isn't working. Shoppers can no longer afford to pay markedly higher prices for items as a tradeoff for convenience. As is the case with supermarkets, C-stores need higher profit nonfoods to boost overall store net income.

Supermarkets vs. convenience stores
(based on 1979 data)

	Conventional supers	Superstores	C-stores
Average sales per store per week	$60-$100,000	$200-$230,000	$7-$10,000
Selling area (sq. ft.)	12-35,000	35,000 +	2,400
Items	8-10,000	15-20,000	3,000
GM/H&BA as % of sales	8%	12%-15%	12%
Average sales per customer transaction	$10-$11	$16-$17	$2-$3
Pretax net	1%-2%	3%	3%
Gross margin	21%	22%	29%
Approximate number of stores	30,000	9,000	33,904

Source: Allen Levis Organization

Short takes

Rumors that *Stop & Shop* is planning to open a three-in-one combo store with a Bradlees, a supermarket and a MediMart are unfounded, says a company spokeswoman. Stop & Shop is launching its first food/drug combo unit within the next year and a half, she states.

Jewel has made a major commitment to combo store marketing, after swinging back and forth over the past several years. By year end '80, the Chicago-based supermarket chain plans to build eight new Jewel/Osco units, enlarge six and remodel five to get more selling area. Osco pharmacies will be added to already existing Jewel food stores at two other locations. At present, Jewel runs 38 combo units.

Big-ticket electronics mean big bucks to *Albertson's* 55,000-sq.-ft. Fort Lauderdale unit. The store moves one $289 color TV every two weeks and $79 black and white sets at a rate of three per week. Solid camera accessories sales of such items as a $79 wide-angle 28mm lens by Vivitar offset sluggish movement of 35mm cameras.

People going places

Beverly Thompson is now Western regional sales manager for New Jersey-based Wella Corp., consumer products division. . . .

At Gillette: William H. Holtsnider, president, Paper Mate division, has been named corporate vice president. . . .

GTE Lighting has named John W. Anderson president. Anderson is piloting 50 plants, seven labs in 13 countries and 19,800 staffers. . . .

Don Dellavia is assuming the newly created post of Eastern regional sales manager, incentives, home products division of Rubbermaid. Dellavia will help direct the firm's stepped-up marketing efforts in this area. . . .

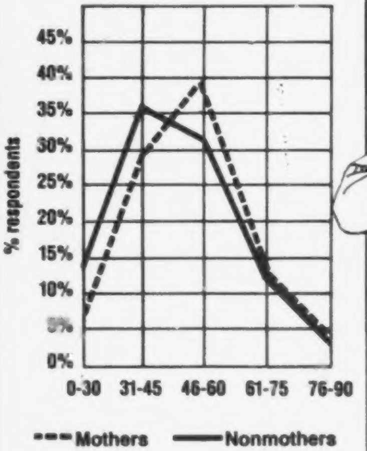
Thomas J. Wujek is now regional sales manager, supermarket continuity programs, for Ekco Housewares Co. . . .

Dave Copp will direct wholesale sales operations for Rexall.

LEVIS: GM REPORT

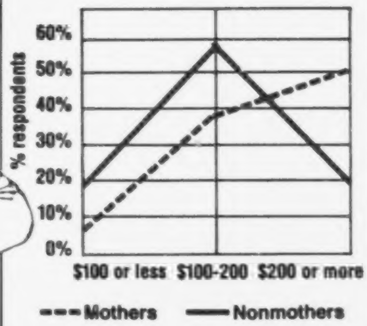
Supermarkets are No. 1 with young mothers

Mothers spend more time shopping in supermarkets
(Minutes spent shopping)



Source: *Parents Magazine* Study on the Importance of Young Mothers to the Supermarket

Mothers spend more money in supermarkets
(Dollars spent per month)



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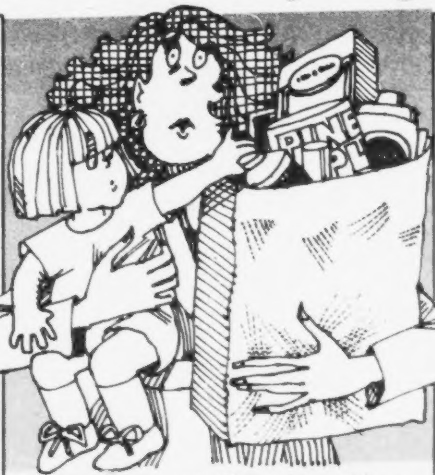

New research may cause supermarketers to start counting their customers who have kids in the cart. And for good reason. According to a national study presented at the FMI convention last month, mothers spend more time and money in the supermarket than their nonmother counterparts.

Some 53% of mothers, vs. 21% of others, spend in excess of $200 each month in the supermarket. And 42% of mothers, vs. 32% of others, spend from 45 minutes to one hour on a major shopping trip.

Of special interest to me was the measure of positive response to buying general merchandise: 21% more mothers than other shoppers use the supermarket as their primary outlet for GM purchases. Stores located near, or attractive to, young mothers have a potential for strong GM sales.

Nine hundred fifty-three married women between the ages of 18 and 34 who buy the products studied, were asked where they purchase most of them. Mothers had at least one child under 6 years of age. All respondents were asked if they bought primarily in the supermarket, drug, discount, department, convenience, or other store. More mothers chose the supermarket.

For seven of the nine products studied, the supermarket was the No. 1 outlet for more mothers than nonmothers:

- *Magazines*—23% more mothers use the supermarket as the primary place of purchase for magazines; 6.5 out of every 10 mothers, vs. 5.3 out of every 10 nonmothers, buy most of their magazines in the super.
- *Pet supplies*—8% more nonmothers; 5.6 out of 10 nonmothers, vs. 5.2 out of 10 mothers.
- *Women's hosiery*—46% more mothers; close to one-third of mothers vs. 1/4 of nonmothers.
- *Health and beauty aids*—33% more mothers; close to 3 out of 10 mothers, vs. 2 out of 10 nonmothers.
- *Film and flash*—88% more mothers; 1.5 out of 10 mothers vs. 0.8 of 10 nonmothers.
- *Greeting cards*—38% more mothers; 1.1 out of 10 mothers vs. 0.8 of 10 nonmothers.
- *Housewares*—13% more mothers; 0.9 of 10 mothers vs. 0.8 of 10 other shoppers.
- *Sewing notions*—Twice as many mothers; 0.4 of 10 mothers vs. 0.2 of 10 nonmothers.
- *Automotives*—purchased equally by both groups; 0.2 of 10 mothers and nonmothers.

Allen Bud Levis is president of the Allen Levis Organization Inc., a general merchandise consulting firm with over 16 years of supermarket experience. He has been involved with the industry for over 35 years and is well known as a leader in the supermarketing of GM and H&BA.

A positive relationship between supermarket GM purchasing and young motherhood means a payoff may exist for stronger GM programs in selected areas.

It demonstrates the importance of knowing how many young mothers potentially or actually frequent each store. Such knowledge, coupled with new research facts, may help decide where to emphasize or expand general merchandise.

Copies of the complete *Parents Magazine* report are available from the Allen Levis Organization.

Presidential candidates speak on industry issues

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

July 1980

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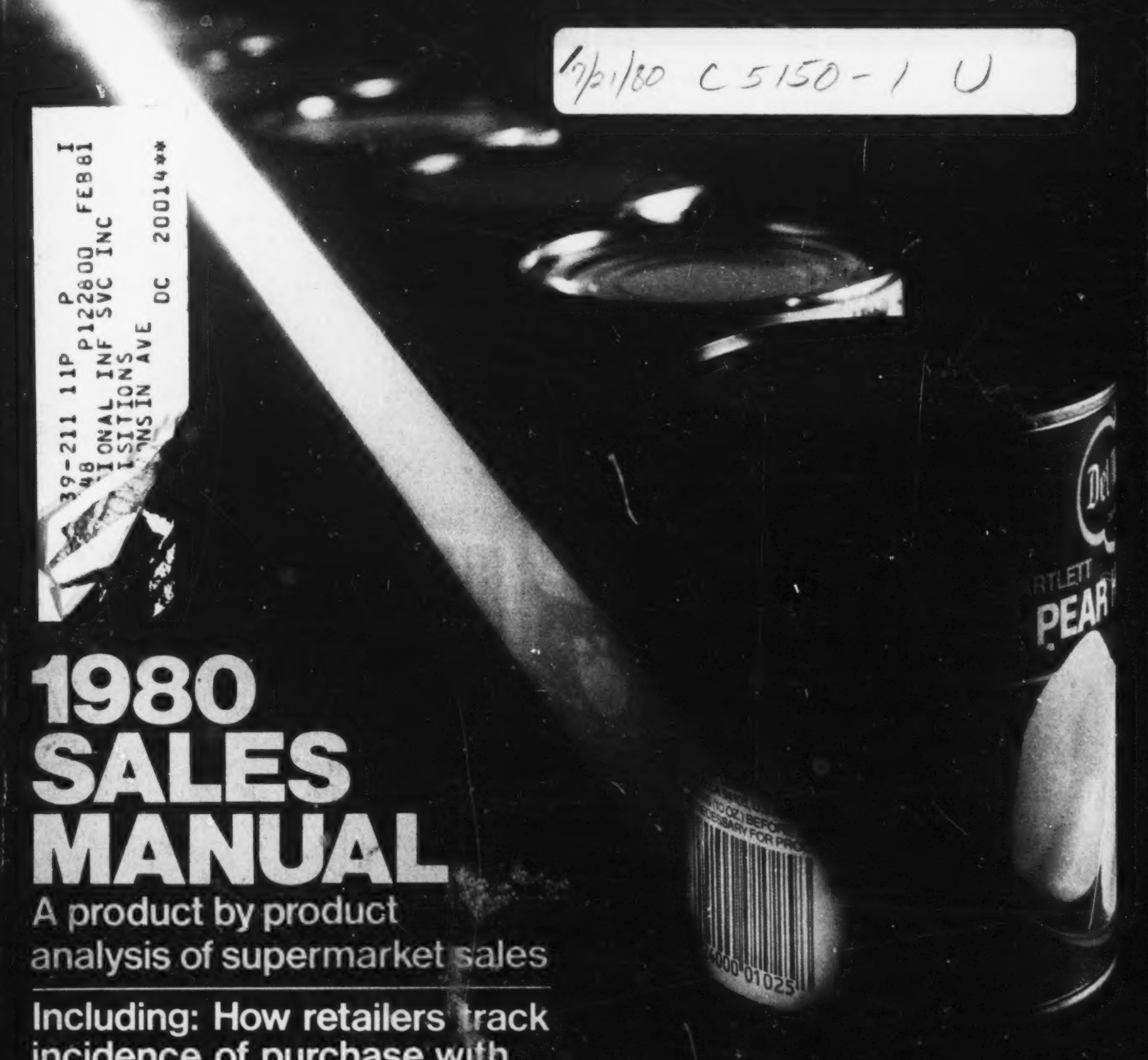

1980 SALES MANUAL

A product by product analysis of supermarket sales

Including: How retailers track incidence of purchase with

Scan Data...

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets

July 1980

Inflation punched up the average 1979 sales ticket to $11.60—over a dollar higher than 1978 .... page 26.

Special Report: 1979

CSA looks at industry performance over the past year: the effect of inflation and recession; the surge of generics; plus a tracking of the top chains, superstores, co-ops/voluntaries and convenience stores 26

Category Performance

An analysis of the product performance of 35 supermarket categories, in terms of dollar volume, unit movement, gross margins, sales and profit contribution—supplemented with scan data on how retailers track incidence of purchase.

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Victory forming voluntary group

New York State-based Victory Markets is actively courting the region's independent operators in a bid to form a voluntary group while strengthening its wholesaling muscle.

The 88-store chain operates two distribution complexes out of its Norwich, N.Y., headquarters. With 250,000 sq. ft. devoted to dry groceries and perishables, Victory says it is equipped to handle a large number of members without immediate expansion.

"We're ready to start with two independents—or 32," says Philip Arnone, who's been tapped to direct the wholesale operations division. He'll head a team of seven buyers and a distribution services manager, which collectively will provide full-support services.

Victory feels the vast agricultural regions of northern and central New York can support another wholesaling arm, despite the omnipresence of S. M. Flickinger.

Vincent Little

Roundy's Little sees shift in supermarket biz

Challenges already on the horizon will dramatically alter the retailing scene in general and food retailing in particular, according to Vincent Little, president of Milwaukee-based Roundy's Inc.

The challenges include inflation, high interest rates, energy shortages, consumer lifestyle shifts and labor organization mergers, Little told a group of Milwaukee business leaders.

Because of them, retailers will be forced to a higher level of sophistication, according to Little. They'll have to adopt more automated processes to improve cost controls and operating efficiency.

Most heavily promoted food items in drug stores

Product	Size	Drug store Price	Supermarket price range*
1. Pepsi-Cola	16-oz. 6-pack	$1.19-1.49	$0.99-1.65
2. Planters cocktail peanuts	12-oz. can	0.99-1.00	1.09-1.39
3. Doritos tortilla chips	7½ oz.	0.69	0.79-0.99
4. Coca-Cola	16-oz. 6-pack	1.29-1.49	1.39-1.53
5. Nabisco Ritz crackers	7¼-oz. box	0.69-0.93	0.79-0.85
6. Planters dry-roasted peanuts	12 oz.	0.99-1.00	0.95-1.19
7. Pepsi-Cola	2 liter	0.99-1.00	0.89-0.97
8. Bumble Bee tuna	6½-oz. can	0.73-0.79	0.69-0.85
9. Coca-Cola	2 liter	0.93-0.99	0.89-1.09
10. 7-Up	2 liter	0.89-0.99	1.09-1.43
11. Planters dry-roasted peanuts	16 oz.	1.29-1.59	1.89
12. Fritos corn chips	7 oz.	0.69	0.89
13. Sunmaid seedless raisins	9-oz. box	0.79	0.85-0.99
14. Creamora nondairy creamer	22 oz.	1.19-1.39	1.69-1.89
15. Heinz tomato ketchup	32 oz.	0.89	0.79-0.99

*Based on supermarket prices advertised in May 1980

Source: *Drug Store News*

Biz-sci firm to aid supers

Headed by former Supermarkets General Corp. vice president Fritz Biermeier, F. T. Biermeier Associates, management science consultants, has set up shop in Minneapolis, Minn.

Biermeier was an original member of the UPC symbol selection committee and served from 1971 to 1977 as a member and director of the Universal Product Code Council.

A graduate of the University of Wisconsin, the industry consultant also served as vice president, information services for Red Owl Stores from 1967 to 1973.

The Biermeier firm specializes in developing systems for gross margin performance improvement, maximizing return on electronic and scanning-equipped checkout systems and improvement of administrative word-processing productivity.

Chain drug stores vie for food dollars

Faced with increasingly recession-strapped consumers, chain drug stores are beginning to compete in earnest for at least some of the dollars traditionally spent in supermarkets and convenience stores.

More and more drug outlets, claims *Drug Store News*, are turning to food to increase traffic, push high-movement items and establish discount images—including drug chains that never would have considered food items a few years ago. They're doing it by doubling the number of food items they carry, by putting their food sections in more prominent traffic-flow positions and by opening small (2,500-sq.-ft.) mini-combo drug and food outlets.

Most heavily promoted are the food products that meet two criteria: being available on deal and having the greatest appeal to the consumer.

Some drug outlets will compete with convenience store prices. Some try to undercut the C-stores. And some, like Dallas-based Skillern's, go head to head with traditional supermarketers in price. But all with food aim to cut away a portion of supers' business.

American sets 10 new combos

S A
SKAGGS
ALBERTSONS

American Stores, a pioneer with Albertson's of food/drug combination units a decade ago under the Skaggs name, intends to increase construction of such outlets this year, says executive vice president Richard L. Shanaman. Buttonholed at the company's recent stockholders meeting in Salt Lake City, Shanaman told *CSA* that American will open eight to 10 combos this year, vs. just five in 1979.

Shanaman also indicates that American will no longer be shackled to a single size for such stores. While most of the company's combos are in the 55,000-sq.-ft. range, the new ones will run the gamut from 40,000 sq. ft. to as large as 70,000 sq. ft.

"Smaller-size combos are not new for us," insists Shanaman. "Our first combo—in Las Vegas 11 years ago—was 39,000 sq. ft." (This unit will soon be expanded by 2,000 sq. ft., space limitations preventing a larger expansion.)

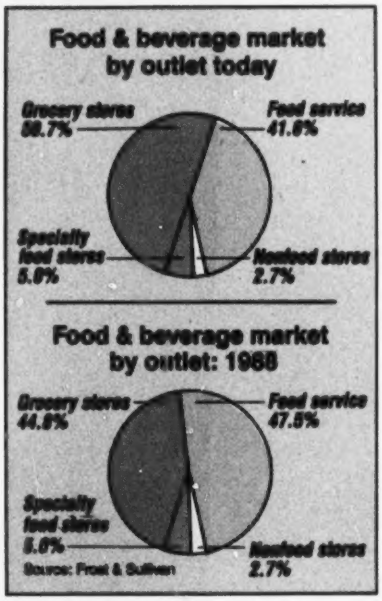
The 40,000- to 45,000-sq.-ft. units, which Shanaman calls "quasi-combos," will not have the customary 50-50 split between grocery and drug but will be divided 60% food to 40% drug. "If we made it 50-50 in those smaller combos," the American Stores executive explains, "we would not be able to be competitive in grocery."

The chain's only 70,000 square footers are located in Las Vegas. The extra space is primarily devoted to jumbo-size liquor departments.

Fast food to top grocery by 1988

The food service industry will overtake the grocery business as the nation's leading marketer of food and nonalcoholic beverages by 1988, forecasts Frost & Sullivan, New York City.

"Food-service sales will grow by 120% in dollars . . . as compared to a 70% growth in grocery store sales," states the 512-page report, "New Food & Beverage Products Market" produced by the company. According to this projection, grocery stores will account for 44.8% of the food and beverage market by 1988, vs. 47.5% for food service. The main reasons Frost & Sullivan cites are a continuing trend to away-from-home feeding at the expense of take-home foods purchased at grocery stores and the rise in the volume of institutional feeders.



Source: Frost & Sullivan

Canoe helps sell wild rice

Leave it to a discount food store to come up with a novel way to sell Uncle Ben's long grain and wild rice mix.

The Warehouse, west of St. Louis, last month filled an aluminum canoe (borrowed from a local sporting goods store) with over 1,000 boxes of wild rice mix. Naturally the boxed rice was bought on a deal. Says one Warehouse store manager, "We like to give our customers an element of surprise. After shopping the racks for food, they get a kick out of something different. Besides, our sales on the rice are running about 50% better than the last time we ran a rice promotion without the canoe."

Recession spurs generics

The advent of the 1980 recession is giving no-frills products their biggest boost since they first appeared in this country in 1977.

As the recession pinches pocketbooks and supermarket shoppers trade down, generics are there with savings at retail of 20%-30% over national, packer and private label brands in certain categories. More supers are stocking the plain label products to build traffic and to take advantage of gross margins which in some cases are considerably greater than traditional labels.

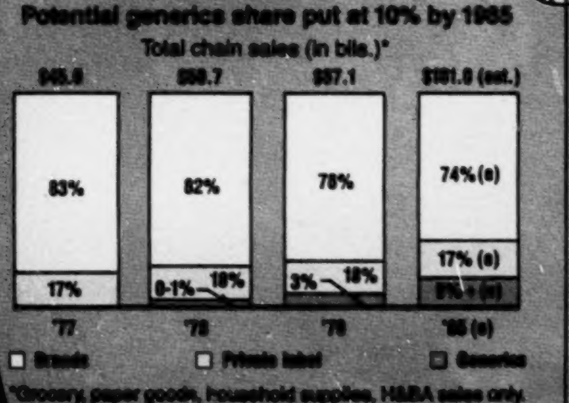
Awareness of generics among consumers is increasing, too. An FMI survey by Yankelovitch, Skelly and White in February, before the Government declared a recession, shows 66% of chain supermarket shoppers are aware of generics, compared to 61% in February 1979. A total of 52% of those surveyed say they are "very interested" or "somewhat interested" in generics.

Among women shoppers, the largest group expressing interest in generics was under 35 years old, followed by those in the 35-49 age bracket and finally by those over 50.

The situation has changed dramatically from a year ago when market researchers found consumer interest in generics had peaked on a nationwide basis. That was before the recession began to

ECONOMY
paper towels
NO FRILLS
Dole
Del Monte
Tomato Catsup
WHEATIES
ANN PAGE

Potential generics share put at 10% by 1985

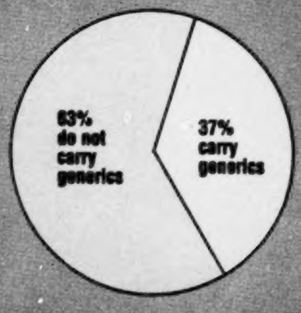


*Grocery, paper goods, household supplies, H&BA sales only.

Sales in these four major supermarket categories will exceed $100 billion by 1985. Generics and generics-like products are expected to eat most heavily into brand sales.

Source: CSA Research

Over one-third of stores carry them



From zero distribution early in 1977 to representation in nearly 15,000 supermarkets today, generics now account for close to $2 billion in sales. By 1985, some 90% of all supermarkets will carry the no-frill lines and ring up sales of almost $10 billion.

Source: CSA Research

cut into the disposable income of supermarket shoppers.

Now a second and larger wave of interest is building, spurred by the recession.

There is a strong feeling in the industry that the recession has given generics the beachhead they need to make an even greater impact in the years ahead. This is borne out by *Chain Store Age* Research, which shows generics and generic-like products such as Safeway's "Scotch Buy" label will make significant inroads in four important categories: grocery, papergoods, household supplies and health and beauty aids.

By 1985 the no-frills products in these categories will account for 9% of total chain supermarket sales of $101 billion, assuming present trends continue. This will leave national brands with a 74% market share, down from the 83% share held in 1977 before generics were introduced by the Chicago-based Jewel chain, which got the idea from the French chain Carrefour. Jewel introduced the items too late in 1977 for them to appear in the year's statistics.

Generics first show up in the statistics in 1978 when they accounted for no more than 1% of total chain supermarket sales on a nationwide basis. But it wasn't until last year, when their share of market in these four high-velocity categories reached 3%, that they made a significant impact.

The trend is reflected in the number of supermarkets that carry the plain label items. Except for Jewel, generics weren't found on supermarket shelves in 1977. A survey completed in the spring of 1979 showed 10,000 food retailers stocked some generic items. By now nearly 15,000 supermarkets are stocking generics and on present trends 90% of all supermarkets will carry them in 1985.

The more than one third of supers which now carry generics report they derive total sales of almost $2 billion from the no-frills items.

The reaction from manufacturers of nationally distributed consumer packaged goods to generics is predictable. It is summed up by SAMI vice president Allen B. Miller Jr., who told a seminar, "As a 35-year veteran in this business of marketing, I don't like private label brands very much. [SAMI's system of classification includes generics in private label.] In fact, I don't like them at all. I'm afraid of them.

"I like the excitement of new products too much. When was the last time you saw an innovative new product from A&P? I know the answer to that. Never! Private label brands are like leeches, living off the products which were developed as a result of vision, investment and the marketing skills of our fine packaged goods companies.

"But if the only thing that's important to you is to save 7 cents on a can of peas, I admit it can be done with private label brands. And if your store carries generic labels, you can save as much as 14 cents," Miller says.

Second wave of interest builds in no-frills as disposable income declines

Savings is the name of the game in generics, and as the recession continues the claimed savings increases. Many chains claim in their advertising that generics offer savings of 30% on average, and a few claim bigger savings. The record at this point is held by Smith's Food King in California, where a *CSA Supermarkets* reporter saw shelf-talkers that claimed a savings of "up to 50%."

In its generic section Smith's names names in comparing the savings. For example, it lists its generic chili with beans on a shelf-talker at 59 cents for the 15-oz. size and then adds, "Why pay 79 cents for Dennison's chili with beans?"

Direct price comparison between generics and other labels is on the increase, especially in the more competitive markets. For example, in California some supers now integrate generics into regular aisles, permitting shoppers to see the price differences between national, private label, packer label and generic label products. This is a new direction for generics, which in the past have been mostly merchandised in their own aisles.

Meanwhile, more and more chains are adding generic items to the mix, especially generic nonfoods, which seem to have the strongest appeal among consumers. ☐

Time for no-frills is now

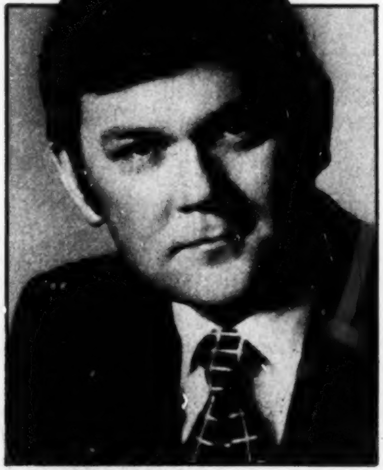
No single chain management or chain supermarket executive is more outspoken about the impact generic products and no-frills merchandising will have on North American retailers and manufacturers than David Nichol, president of Loblaw's in Canada.

It's not that name brands are dead, claims the thought-provoking Loblaw executive; rather, "Its absolutely the right time for no-name products and no-frills merchandising. Anyone connected with food retailing who rejects this hypothesis is doomed to see his market share decimated by value-oriented no-name products" during the 1980's.

Nichol goes even further. "Any individual who doesn't believe today is no-frills time is equally doomed to see the real value of his income seriously eroded by runaway inflation over much of this decade."

To support his "timeliness hypothesis," Nichol cites what happened to one well-recognized and quality product when a comparable no-name item was recently introduced.

"A. C. Nielsen figures," he says, "indicate disposable diapers are the most brand-loyal item sold in a supermarket. In Ontario, Pampers have held a market share in excess of 80%. This was also true of sales share in our Loblaw stores." In fact, for 1978, Pampers accounted for 85% of the chain's disposable diaper sales.



Loblaw's David Nichol

Early this year, Loblaw's introduced no-name diapers.

Within five weeks the food chain was moving 1,600 cases of the product a week. Pampers dropped dramatically to a 19% share of category sales. At the same time, total disposable diaper sales skyrocketed 300%.

Loblaw stores experienced similar happenings with the introduction of no-name products against such well-known brands as Tide detergent, Kraft dinners, Ritz crackers, instant and regular grind Maxwell House Coffee—even Perrier water.

Today, Loblaw's carries over 300 no-name products. That adds up to 4.5% of the approximately 6,800 items stocked in the chain's warehouses. But, as a means of illustrating the significantly higher rate of turnover of generic products, Nichol says, "these products represent over 16% of our actual warehouse shipments."

OMATOES
NO FRILLS
PRIDE OF THE FARM
PEELED TOMATOES
Pathmark
Whole Peeled
Tomatoes
Del Monte
PEELED TOMATOES

Shoppers can now choose from among four price levels for many products: no-frills, packer label, private label and national brand.

Translated into terms brand manufacturers don't like to hear, it means that Loblaw's shoppers are purchasing no-name products at the rate of 78 million items a year. Or put another way, generic items ring up over 10¢ of every dollar spent on food in Loblaws' today.

Generic history: Loblaw's, the first self-service supermarket to open in Canada (shortly after World War I), has been into generic products since its inception. T. P. Loblaw's first store carried generic crackers (in a cracker barrel), pickles (in a barrel), bacon, bread, produce, rice and a small smattering of dry groceries. The Loblaw approach paralleled that of most United States grocers in the early 1920's. Consumer trust was more in the integrity and reputation of the individual store owner than in a particular brand.

National brands evolved as a result of advancing technology that enabled industry to get into mass production—the development of a national highway system to freely transport huge quantities of goods—and the growing availability of advertising talent and media to make the brand names better known.

As individual stores regrouped into chains and the grocery store evolved into a semblance of today's supermarket, the consumer's trust in the now-absent store owner was transferred to now-familiar brands.

Over the years following World War II, particularly, secondary brands (including packer brands) were introduced more and more—largely for promotional purposes. In the 50's, many now-well-entrenched chains developed their own private labels that often mimicked the national brands as closely as the law would allow—especially in labeling.

Until the early 1970's, other than at chains such as A&P, First National and a handful of regionals, secondary brands and private labels met with limited success. Coming into 1970, private labels in the United States accounted for less than 10% of total grocery sales.

In 1975 Loblaw's came up with an experimental line of large-size-only products that wore the tag "exceptional value." Of the 18 original items introduced that year, only two survived.

A year later, while visiting Carrefour (a hypermarket chain in France), Nichol was particularly impressed with the French mass-retailer's no-name product presentation. He had samples of Carrefour's offerings sent back to his company's Canadian laboratories for study.

In March 1978, Loblaw's introduced the first 16 generic products in Canada under the bright yellow wrap and no-name tag.

Loblaw's generic introduction caught the eye of the Canadian press like no other retail event in years. Says Nichol, "The media exposure was tremendous. And the consumer response was enormous."

Astounding results: The enormity of the introduction was monitored by A. C. Nielsen. The ensuing study concluded that in a few short months no-name captured huge market shares in each category. Says the Loblaw executive now, "The results surprised everybody. Nielsen's reaction was an uncustomary "Wow!"

Clearly, generic products had caught on in Canada. In the two years since its introduction, Loblaw's no-name product mix has risen to a point where it now adds up to over 10% of total grocery sales.

"And that's only the beginning," claims Nichol. "We're not witnessing a passing fad. No-name products are for real and they'll take hold in the United States, too. Their time is now." ☐

Warehouse store boom unleashes battle over manufacturer deals

The meteoric rise in the popularity and importance of the warehouse store format—many units are doing well above $300,000 per week in sales—is making suppliers' deals one of the hottest issues in the food business today.

Warehouse stores didn't invent "deal only" food retailing. Conventional chains like Weis and Pathmark have made adroit use of deal merchandise one of the cornerstones of their marketing thrust.

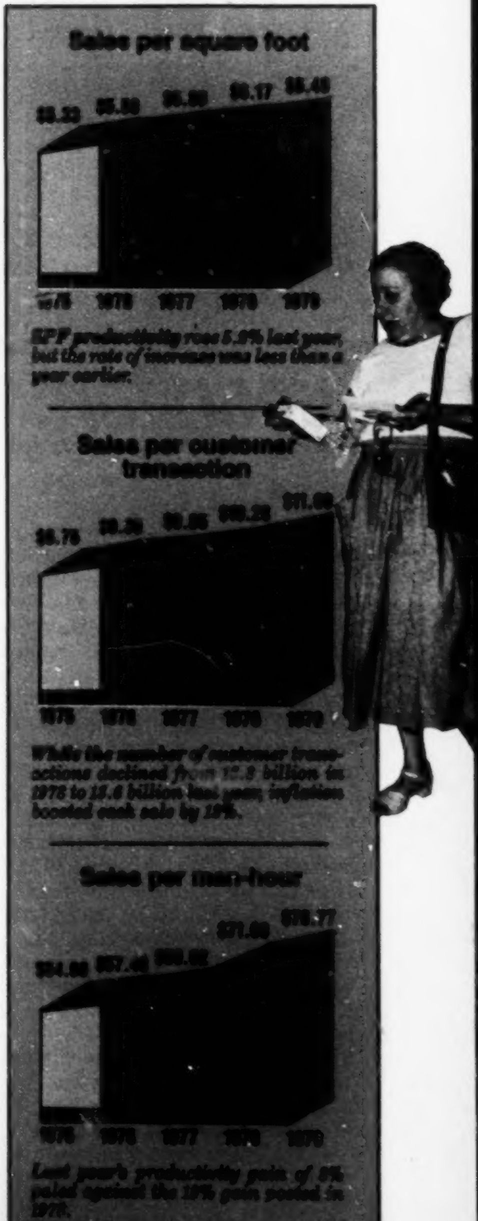
What some chains and independents find objectionable is the warehouse units' practice of loading up on particularly juicy deals and then banging away with the low price for weeks—even months—after the allowance period has ended.

"I feel that nothing is unfair if the consumer benefits," one retailer, whose views typify those of operators of conventional units, told *CSA*, "but manufacturers are making a mistake by letting their marketing departments dictate policy. It's in the manufacturers' best interest to sell the widest range of products over the longest period of time, but the deal only stores are cherry-picking. What's more important, higher sales this month—or throughout the entire year?"

"We deliver for the manufacturers," says another chain executive. "We expose their products to the public, we carry full lines and we advertise." Warehouse store people insist that deals may enhance their stores' low-price image, but they aren't the whole story. "Warehouse stores have some basic advantages," points out Bill Bishop, industry consultant. "These include operations efficiencies, restricted inventory, less pressure from unions and the space and authority to buy into deals right at store level."

Although chains like Pathmark, Schnucks and H. E. Butt have successfully competed against the warehouse stores by going eyeball to eyeball on price, many conventional supermarket operators look for relief from the suppliers. At least one, Procter & Gamble, has limited deal buy-ins based on how long the product was carried by the store before the allowance period, but such programs are reportedly having little effect. Some regular supers are retaliating by pulling certain items from the shelves in response to what they deem unfair treatment, but this is not widespread at the present time.

Where will the controversy lead? "This fight will stay with us for at least the next year," predicts one industry observer. "There's just no pat solution in sight. Manufacturers are going to have to clean up their act and make the first move." ☐



SPF productivity rose 5.3% last year, but the rate of increase was less than a year earlier.

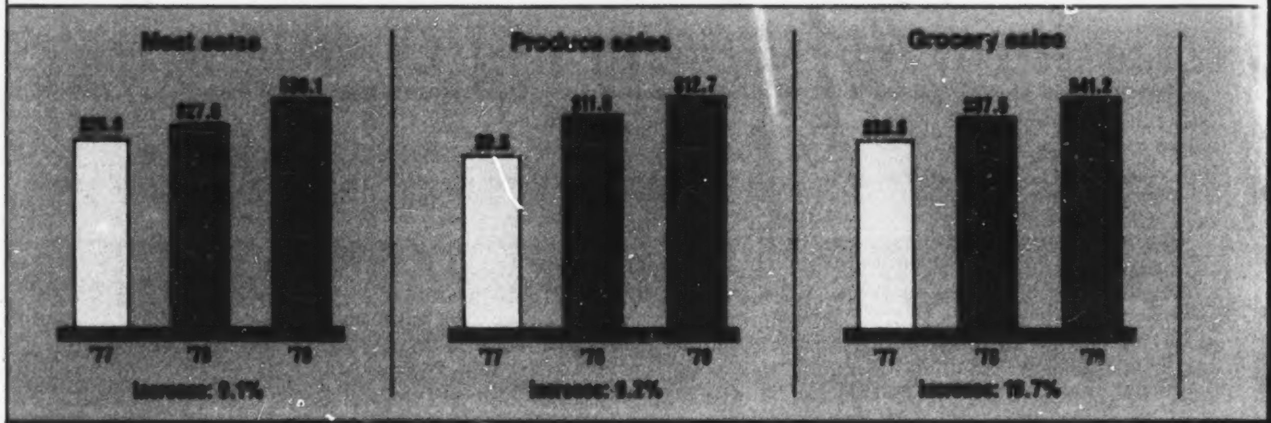
While the number of customer transactions declined from [illegible] billion in 1975 to 13.6 billion last year, inflation boosted each sale by [illegible].

Last year's productivity gain of 8% paled against the 13% gain posted in 1978.

Source: FMI

In Today Out Today
At BASICS
You get it fresh. And good.
Get up to 30% more good food for your dollar
$20
$20
BASICS

H&BA shows largest sales increase . . .



Superstores get the lion's share

Superstores passed a major milestone last year, accounting for more than half of all supermarket sales for the first time in history. Outlets racking up more than $5 million in annual volume represented 51.5% of the 1979 total.

Superstores have attained this dominant position in the retail food business through both a rapid growth in the number of stores and an increase in sales for each unit in the superstore category. The number of stores with annual volume exceeding $5 million jumped 16.2% last year, rising from 9,309 in 1978 to 10,703 in 1979. Over the same period of time, superstore sales grew a substantial 28.9%—two and a half times the sales growth rate for the supermarket industry as a whole—to $80.8 billion.

In light of this dominance, *Chain Store Age Supermarkets* has revised its chart to divide the over $5 million category into two groups: stores achieving sales of between $5 million and $10 million a year, and those "super superstores" that are doing more than $10 million in sales. (At the same time, *CSA* has combined two former classifications, "less than $1 million" and "$1 to $2 million," into a single line. Analysis shows that units doing less than $1 million are more properly categorized as limited assortment or convenience stores.)

Another indication of the superstores' power is that, although they now have the lion's share of the business, they represent just 27.1% of total units.

This picture is changing, however, as retailers continue to phase out smaller, less profitable stores in favor of high-volume—and high-profit—superstores.

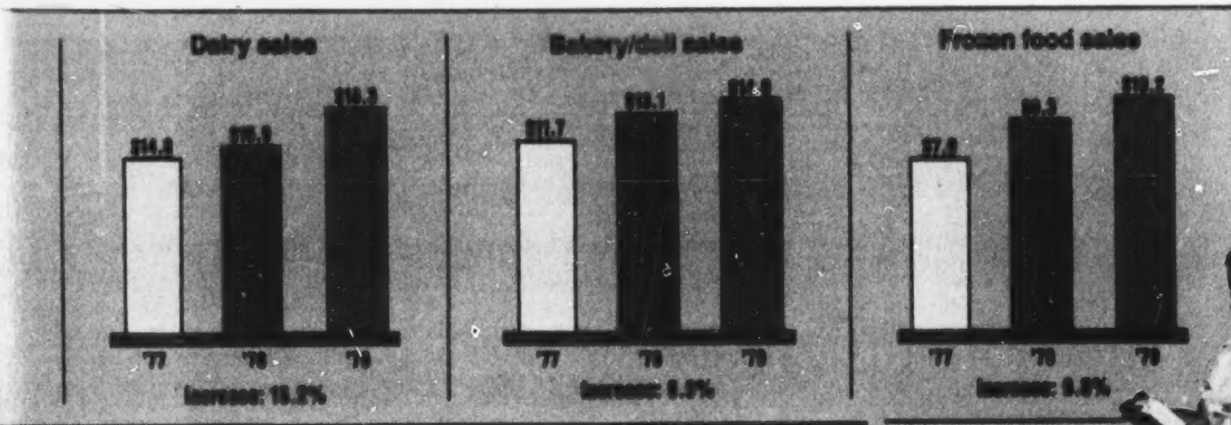
Chains still operate the vast majority of supers doing in excess of $5 million annually, 94.2%, but co-ops and voluntaries are definitely increasing their activity in this area. Though they only fielded 3.0% of all superstores in 1978, they upped this figure to 7.0% last year. In fact, when it comes to the really big outlets—those with more than $10 million in yearly sales—independents show considerable strength, operating 11.0% of those gilt-edged stores. ☐

Superstores up sales share to over 51%

Supermarkets	Chain-operated	Single-owned	Total	1979 sales (000 omitted)
$1 million to $2 million	3,152	5,765	8,917	$ 14,267,000
$2 million to $3 million	4,726	4,102	8,828	22,070,000
$3 million to $4 million	6,246	829	7,075	22,640,000
$4 million to $5 million	3,408	573	3,981	17,118,000
$5 million to $10 million	7,847	486	8,333	52,808,000
Over $10 million	2,109	261	2,370	27,970,000
Total	27,488	12,016	39,504	$156,900,000

Source: CSA Research

while bakery/deli slows (sales in billions)

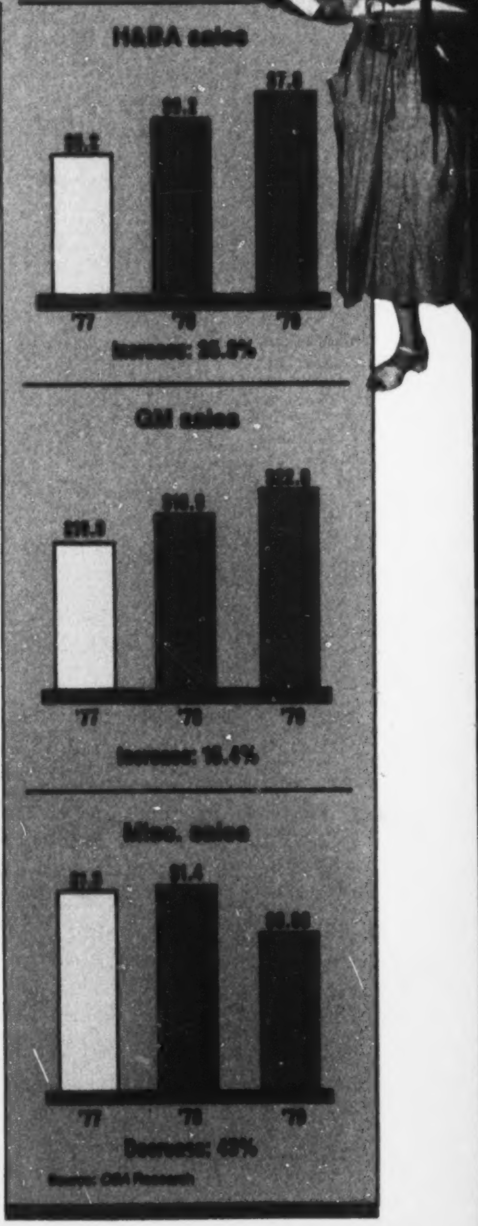


Supers grab 90% of retail sales

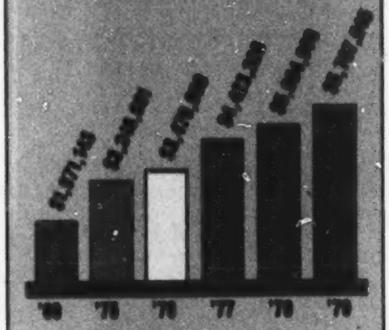
Store classification	Units	Sales (000 omitted)	Supers' % of super, groc. and conv. sales	Supers' % of total sales
1969				
Supermarkets	40,213	$ 55,693,000	78.9	74.7
Supers, groceries and convenience stores	229,000	70,955,000		
Others	56,400	4,911,000		
Total food stores	282,300	75,866,900		
1975				
Supermarkets	41,324	$102,565,335	83.8	78.0
Supers, groceries and convenience stores	168,500	122,393,000		
Others	59,000	9,033,000		
Total food stores	227,500	131,426,000		
1976				
Supermarkets	40,416	$113,120,000	86.2	80.2
Supers, groceries and convenience stores	160,491	131,133,000		
Others	57,500	9,851,000		
Total food stores	217,991	140,984,000		
1977				
Supermarkets	39,582	$125,043,000	88.5	82.1
Supers, groceries and convenience stores	144,531	141,300,000		
Others	69,219	11,000,800		
Total food stores	213,750	152,300,800		
1978				
Supermarkets	39,688	$140,700,000	89.1	82.5
Supers, groceries and convenience stores	166,096	157,980,000		
Others	61,154	12,520,000		
Total food stores	227,250	170,500,000		
1979				
Supermarkets	38,564	$156,800,000	90.1	83.9
Supers, groceries and convenience stores	142,730	174,083,000		
Others	59,970	12,600,000		
Total food stores	202,700	186,683,000		

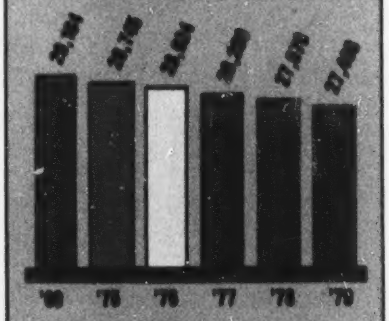
Source: Chain Store Guide, CSA Research

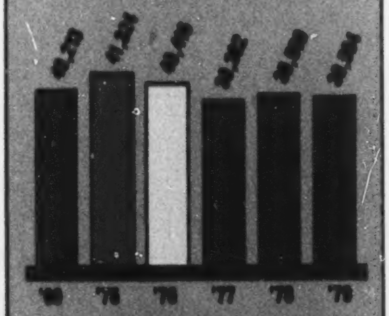
Note: According to U.S. Census of Business, food stores include grocery stores, meat and fish markets, fruit and vegetable stands, candy, nut and confectionery stores and retail bakeries.

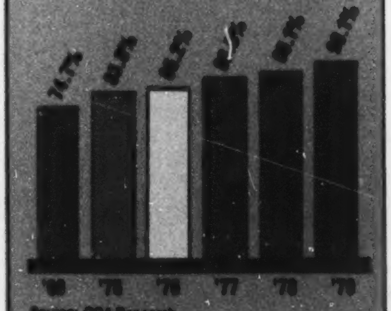


Source: CSA Research


Average sales per chain supermarket


Corporate chain-operated supermarkets


Number of supermarkets


Supermarkets' share of grocery store sales

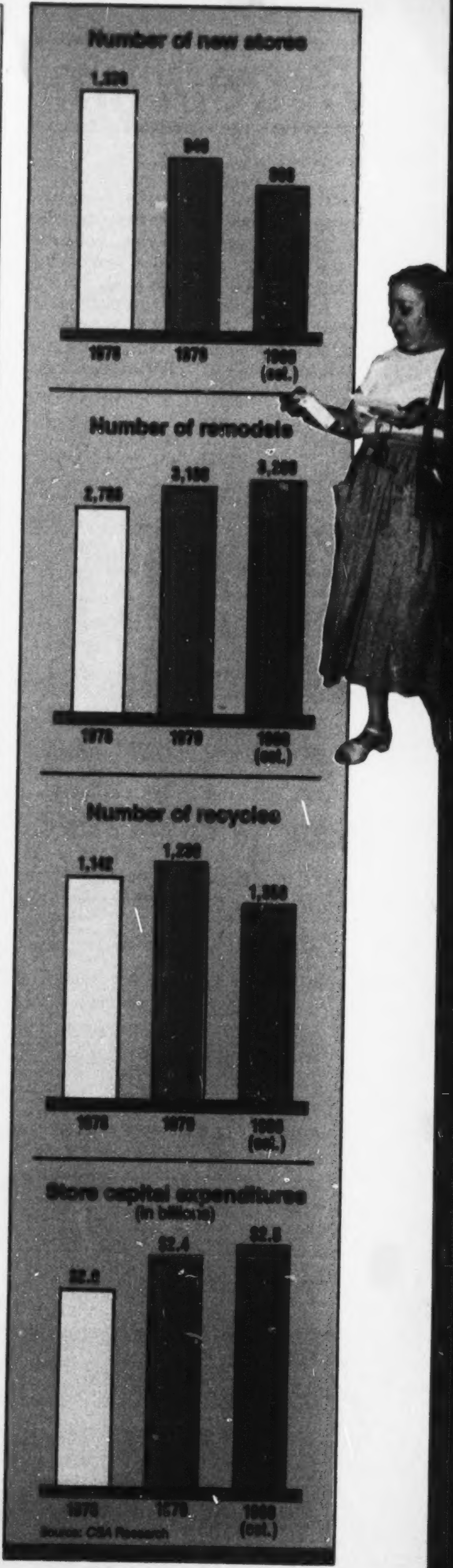
Source: CSA Research

Top 100 chains

Rank	Chain	Stores (1979)	Stores (1978)	1979 Sales Volume	Estimated per store Average
1.	**Safeway**	2,425	2,428	$13,717,361,000	$ 5,656,849
2.	**Kroger**	1,234	1,202	9,029,315,000	7,317,111
3.	**A&P**	1,542	1,573	6,684,179,000	4,334,746
4.	**American Stores**	1,100	754	6,120,963,000	5,564,512
5.	**Lucky Stores**	509	487	5,815,927,000	11,426,182
6.	**Winn-Dixie**	1,207	1,152	4,930,000,000	4,082,137
7.	**Jewel Co.**	736	587	3,760,000,000	5,108,695
8.	**Grand Union**	791	858	3,137,612,000	3,966,639
9.	**Albertson's**	384	354	2,673,847,000	6,963,143
10.	**Supermarkets General**	113	109	2,372,574,000	20,996,230
11.	**Publix**	231	218	1,942,562,000	8,409,359
12.	**Allied**	87	84	504,000,000	5,793,103
13.	**Stop & Shop**	154	159	1,878,864,000	12,200,415
14.	**Dillon**	528	495	1,792,216,000	3,394,348
15.	**Food Fair**	200	219	1,461,000,000	7,305,000
16.	**City Products [Vons]**	116	141	1,453,000,000	12,525,862
17.	**Fisher Foods**	146	157	1,336,293,000	9,152,691
18.	**Giant Food**	117	117	1,242,620,000	10,620,683
19.	**First National**	274	286	1,111,691,000	4,057,266
20.	**Waldbaum's**	136	102	1,103,443,000	8,113,551
21.	**Fred Meyer Inc.**	63	61	1,060,203,000	16,828,619
22.	**National Tea**	243	214	1,045,695,000	4,303,271
23.	**Borman's**	82	80	905,400,000	11,041,463
24.	**Federated [Ralph's]**	97	98	882,700,000	9,100,000
25.	**Gamble Skogmo [Red Owl]**	90	97	800,000,000	8,888,000
26.	**Cullem**	120	114	782,520,000	6,521,000
27.	**H. E. Butt**	150	147	728,000,000	4,853,333
28.	**Hy-Vee**	110	83	683,000,000	6,209,000
29.	**Weis**	109	99	606,346,000	5,562,807
30.	**J. Weingarten**	101	102	566,118,000	5,605,129
31.	**Smith's Management**	127	96	621,000,000	4,889,763
32.	**Schnuck's**	52	50	500,000,000	9,615,384
33.	**Price Chopper**	53	56	520,800,000	9,826,415
34.	**Meijers**	28	28	494,000,000	17,642,857
35.	**Kohl's**	75	74	492,000,000	6,560,000
36.	**Chatham**	46	45	482,000,000	10,478,260
37.	**Arden Mayfair**	105	103	460,479,000	4,385,514
38.	**Alterman**	92	89	435,999,000	4,739,119
39.	**Thriftimart**	43	44	431,870,000	10,043,488
40.	**Stater Bros.**	75	78	420,567,000	5,607,560
41.	**Foodtown [N.C.]**	85	55	415,973,000	4,893,800
42.	**Foodarama**	44	43	413,016,000	9,386,727
43.	**Giant Eagle**	49	44	406,500,000	8,295,918
44.	**Nash Finch**	103	111	386,934,000	3,756,640
45.	**Bruno's**	50	49	385,595,000	7,711,900
46.	**Purity Supreme**	103	108	381,000,000	3,699,029
47.	**Penn Traffic**	64	44	375,573,000	5,868,328
48.	**Sentry**	86	85	368,679,000	4,286,965
49.	**Big V**	26	24	357,984,000	13,768,615
50.	**Wegman's**	34	34	350,000,000	10,294,117

Source: *CSA Research* based on annual reports, 10-K forms and other published data. Where data not available, figures have been estimated.

Rank	Chain	Stores (1979)	Stores (1978)	1979 Sales Volume	Estimated per store Average
51.	Schwegmann	10	10	$335,000,000	$33,500,000
52.	Pueblo Int'l	41	53	330,773,000	8,067,634
53.	Harris Teeter	80	74	329,614,000	4,120,175
54.	Seaway Foodtown	54	52	325,856,000	6,034,370
55.	A. J. Bayless	58	57	319,837,000	5,514,431
56.	King Kullen	53	50	318,363,000	6,006,849
57.	Shaw's	37	34	312,000,000	8,432,432
58.	Hughes	35	26	300,000,000	8,571,428
59.	The Boys	40	40	300,000,000	7,500,000
60.	Tradewell	119	114	300,000,000	2,521,008
61.	Smitty's	17	18	288,000,000	16,941,176
62.	Mayfair [Foodtown]	39	41	280,000,000	7,179,487
63.	Shopwell	69	83	279,000,000	4,043,478
64.	Almac	41	40	275,000,000	6,707,317
65.	Raley's	34	31	270,000,000	7,941,176
66.	Schultz Sav-O	35	36	261,950,000	7,484,285
67.	Delchamps	50	53	260,000,000	5,200,000
68.	DeMoulas	26	22	252,000,000	9,692,307
69.	Handy Andy	50	56	250,000,000	5,000,000
70.	Star Supermarkets	41	40	248,904,000	6,070,829
71.	Victory Markets	86	86	241,614,000	2,809,465
72.	Red Food	34	32	239,000,000	7,029,412
73.	Mott's	24	22	234,792,000	9,783,000
74.	Village	20	22	232,165,000	11,608,250
75.	Fred W. Albrecht	23	22	231,000,000	10,043,478
76.	Brookshire	62	58	230,000,000	3,709,677
77.	Minyard	52	47	228,600,000	4,396,153
78.	Piggly Wiggly [RR]	69	74	226,000,000	3,275,362
79.	Country Club	42	41	220,000,000	5,238,095
80.	Jitney-Jungle	53	37	219,186,000	4,135,584
81.	Thorofare Markets	59	59	218,347,000	3,700,796
82.	Ingles	72	55	249,000,000	3,458,000
83.	Randall	13	30	195,750,000	15,057,692
84.	Milgram	51	42	188,000,000	3,686,274
85.	Houchens	51	50	175,000,000	3,431,372
86.	Lowe's [N.C.]	63	60	163,423,000	2,594,015
87.	Scrivner	62	62	616,000,000	9,935,483
88.	Furr's	92	103	616,000,000	6,695,652
89.	Bi-Lo's [S.C.]	109	106	604,800,000	5,548,623
90.	Big Bear	29	28	420,000,000	14,482,758
91.	Fareway	37	37	246,400,000	6,659,459
92.	S. M. Flickinger	63	69	204,430,000	3,244,921
93.	Tamarkin	35	35	201,600,000	5,760,000
94.	Super Value	28	28	201,524,000	7,197,286
95.	Peter J. Schmitt	39	38	181,440,000	4,652,308
96.	Melmarkets	15	12	174,720,000	11,648,000
97.	Save Mart	28	25	168,000,000	6,000,000
98.	Consumers Market	30	27	168,000,000	5,600,000
99.	Food World	37	36	168,000,000	4,540,540
100.	Giant (Pa.)	25	25	168,000,000	6,720,000



Source: CSA Research

Retrenchment aids smaller chains

The total food store count dropped from 207,250 units in 1978 to 202,700 units last year, continuing the industry trend of shuttering close to 5,000 stores a year.

At the same time, the number of chain food store owners rose from 4,294 (operating a total of 58,850 units) in 1978 to 4,409 (operating a total of 61,365 units).

The increase in number of multi-unit store owners is a result of the backwash of A&P's retrenchment and Food Fair's retreat from the Philadelphia and Northeast marketplace in particular.

Co-op and voluntary multiunit and single-unit owners picked up hundreds of former A&P and Food Fair stores and added them to their mini-chain fleets. This expansion by independent chain operators shows up especially in unit increases posted by operators of four to 10 store chains and 11-25 store chains.

More than two-thirds of the 115 new chain store operators added to this year's roster became eligible for chain ranking only because they picked up the castoffs. ☐

Number of multistore operators grows

Calendar year	2-3-store chains	4-10-store chains	11-25-store chains	26 + -store chains	Companies operating no. of chain stores (no. of supermarkets)	No. of food stores	Total food store sales (000 omitted)	Supermarket store sales (000 omitted)	Chain store share of food store sales
1970	6,697	4,519	3,824	30,981	4,241 operating 46,001 (29,184)	279,200	$ 86,114,000	$ 58,511,139	68.1%
1971	6,609	4,703	3,783	32,085	4,234 operating 47,180 (29,184)	268,000	$ 89,239,000	$ 61,423,665	69.0%
1972	6,806	4,974	3,851	32,918	4,344 operating 48,549 (30,058)	246,800	$ 95,020,000	$ 66,501,576	70.1%
1973	6,993	4,970	4,078	34,870	4,501 operating 50,911 (30,062)	240,000	$105,731,000	$ 75,528,860	71.4%
1974	7,228	5,077	4,246	35,880	4,650 operating 52,431 (30,072)	236,000	$119,698,000	$ 86,315,872	72.1%
1975	7,027	5,009	4,628	38,367	4,563 operating 55,031 (29,457)	227,500	$131,426,000	$ 95,678,128	72.8%
1976	6,989	5,495	4,776	37,882	4,645 operating 55,142 (28,745)	218,500	$140,984,000	$105,822,775	75.0%
1977	6,538	6,140	4,426	41,175	4,478 operating 58,280 (28,269)	213,750	$152,469,000	$125,043,000	82.1%
1978	6,230	5,690	4,728	42,202	4,294 operating 58,850 (27,670)	207,250	$170,500,000	$140,700,000	82.5%
1979	6,205	6,032	5,035	43,993	4,409 operating 61,365 (27,488)	202,700	$186,893,000	$156,900,000	83.8%

Source: Chain Store Guides, *CSA Research*

Fewer co-ops, voluntaries share in larger independent market

The number of co-ops and voluntary wholesalers serving nonchain supermarkets fell again last year, to a total of 455, down from 468 the prior year and 492 in 1977. Meanwhile the market served by this group of wholesalers is growing at an impressive rate.

The explanation for this paradox is that co-op and voluntary wholesale organizations are becoming more efficient and cost-effective. Those that don't measure up are absorbed or fall by the wayside. The survivors offer their customers an even wider range of services.

For the first time all of the co-ops and voluntaries on the *Chain Store Age Supermarkets'* top 50 list scored gross sales of at least $200 million. Six had sales of more than $1 billion while the largest, Super Valu of Hopkins, Minn., chalked up record sales of almost $3.5 billion.

Inflation helps to explain some of this increase but it is also clear that independent supermarkets served by the co-ops and voluntaries are gaining market share. This is reflected in the record number of independents with individual store sales in excess of $10 million a year. Never before have independents been so prominently represented in the ranks of the highest-volume supermarkets.

The largest and most efficient co-ops and voluntaries now offer services that match those offered by the biggest chains. Companies like Super Valu, Fleming and Wakefern, among others, provide participating supers with the standard lines of food and nonfoods products plus an array of specialized services. These additional services may include centralized equipment buying, advice on site selection for new stores, ways to improve customer relations, tips on more effective newspaper advertising, how to install a scanner system—in short, all of the services available to a chain super.

Without this edge the supermarket industry would be dominated by the chains. As things stand now, the retail segment of the business is about evenly divided between the chains and independents.

Inflation is likely to accelerate the growth of the larger voluntaries and co-ops. As the wholesale business becomes more complicated there is a greater need for sophisticated computers and automated warehouses to control and ship goods. In this environment it is the larger, more efficient co-ops and voluntaries that will show the most growth in the 1980's. □

Largest wholesalers gain more ground

Leading Wholesalers	Type	Total stores served	Supers	Estimated volume (000,000 omitted)
Super Valu Stores	Vol.	2,018	1,923	$3,470
Fleming Companies	Vol.	1,582	918	2,508
Wakefern Food	Co-op	192	192	2,300
Malone & Hyde	Vol.	2,516	1,138	1,616
Certified Grocers of Calif.	Co-op	4,000	700	1,300
Wetterau Inc.	Vol.	703	544	1,239
S. M. Flickinger	Vol.	296	183	920
Nash-Finch	Vol.	368	129	882
Scot Lad Foods	Vol.	625	185	822
Associated Wholesale Grocers	Co-op	900	500	880
Super Food Services	Vol.	620	378	891
United Grocers Ltd.	Co-op	2,145	613	776
Spartan Stores Inc.	Co-op	445	294	702
Certified Grocers—Illinois	Co-op	545	350	640
West Coast Grocers	Vol.	95	95	580
American Strevell	Vol.	198	100	550
Richfood Inc.	Co-op	718	150	526
Twin County Grocers	Co-op	192	178	510
Alfred M. Lewis	Vol.	2,500	514	503
Associated Grocers—Wash.	Co-op	390	320	494
Scrivner Inc.	Vol.	610	170	484
Fox Grocery Co.	Vol.	214	153	475
Niagara Frontier Services Inc.	Vol.	42	19	464
Farm House Foods	Vol.	238	102	462
Springfield Sugar & Products Co.	Vol.	250	181	450
White Rose Food Corp.	Vol.	120	104	450
Associated Food Stores—Utah	Co-op	686	277	440
Grocers Supply Co.	Co-op	500	200	435
United Grocers Inc.—Oregon	Co-op	335	235	424
Hannaford Bros.	Vol.	110	110	424
Associated Grocers—Ariz.	Co-op	1,250	300	400
Affiliated Foods Stores—Texas	Co-op	550	275	392
Associated Grocers—Colo.	Co-op	400	400	375
Key Food Stores Inc.	Co-op	155	150	370
Godfrey Co.	Vol.	86	86	368
Roundy's	Co-op	158	115	303
Frankford-Quaker	Co-op	600	80	302
Piggly Wiggly Carolina	Vol.	107	107	300
U.R.M. Stores	Co-op	250	150	262
Peter J. Schmitt (Loblaws)	Vol.	47	47	257
The McLain Grocery Co.	Vol.	150	150	254
Gateway Foods	Vol.	275	175	250
Kraedale Foods Inc.	Vol.	90	90	250
American Seaway Foods Inc.	Vol.	200	200	244
General Grocer Co.	Vol.	300	85	225
Certified Grocers—Florida	Co-op	1,600	79	220
The Creasey Co.	Vol.	59	59	220
Roundup Co.	Vol.	68	25	211
Associated Grocers—St. Louis	Co-op	440	330	201
Piggly Wiggly Operators Warehouse	Co-op	200	190	200

Source: CSA Guides, CSA Research

Convenience store growth slows

The number of convenience stores increased again last year, and the top-ranked chain, Southland Corp., operator of 7-Eleven, chalked up record sales of almost $2.8 billion. That would make Southland the ninth largest operation in the country if it was measured as a supermarket operator on the *Chain Store Age Supermarkets* ranking of the nation's top 100 food chains.

Yet c-stores aren't growing as fast as before and appear to have reached maturity in some retail food lines. More and more c-stores are turning out to be gas stations which offer a limited assortment of high-priced foods and nonfoods.

More than half of all c-stores now pump gas and 80% of new stores now include gas pumping operations, according to the latest available figures. The trend is obvious.

More units operate as gas stations with limited lines of food and nonfoods

This is underscored by the movement of Sun and Atlantic Richfield (ARCO), two major oil and gas companies, into the c-store arena. ARCO is adding convenience store-type food and nonfoods items to existing gas pumping operations under the AM/PM Minimarkets banner and hopes to have 500 of these units in operation this year. Sun, meanwhile, has added the Mr. Zip company to its Stop N Go and Fast Fare c-store operations.

There were an estimated 34,000 c-stores in operation at the beginning of the year, 1,500 more than the previous year. In the four prior years the industry had been adding stores at an average rate of 2,500 new units a year. While individual c-store companies may show dramatic increases in the number of new stores added in the future, it is apparent that the industry as a whole has passed its period of highest growth.

As the recession bites deeper into disposable income, c-stores can expect to face more difficulties. A report released early this year found consumers becoming more reluctant to pay the premiums charged by c-stores to offset the cost of nighttime operations. Instead, the cash-strapped shopper is planning ahead and trying to shop more often in supermarkets or maverick-format food stores where prices are clearly lower.

Still, c-stores are well-positioned for growth in a number of categories. Many do a much better job than the typical supermarket in the merchandising of cigarettes and other tobacco items, candy and gum and publications. Prices may be higher than supermarkets for some of these items, but c-stores offer the consumer more variety.

For some c-stores, women's magazines have started to match the high turnover rates achieved by some of the more popular men's magazines.

C-stores are also doing an impressive job with fast foods and delicatessen items: Hot sandwiches, cold sandwiches, salads and cheeses in single-portion packages, soups and other items are being sold faster than ever. ☐

7 ELEVEN
BIG DEAL...THE BIG WHEEL

Economy brakes sales

Rank	Company	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	Estimated convenience store sales ('79)
1	**Southland Corp.**	4,010	4,080	4,603	4,850	6,016	5,692	6,898	7,016	6,599	7,670	$2,795,836
2	**Cumberland Farms**	650	664	850	868	980	988	1,200	1,159	1,130	1,098	398,000
3	**Circle K Corp.**	493	652	782	840	947	1,028	1,065	1,100	1,105	1,158	330,159
4	**Lawson Milk**	634	702	735	792	755	735	750	751	760	733	250,000
5	**UtotEM**	514	575	607	742	882	934	1,012	1,016	928	934	247,825
6	**National Convenience**	475	525	575	654	850	965	743	722	725	806	246,660
7	**Munford Inc.**	938	951	1,005	1,250	1,331	1,371	1,400	1,400	1,211	1,320	233,174
8	**Convenient Food Mart (CIAM)**	152	137	141	167	174	218	252	269	285	316	156,529
9	**Wawa Food Marts**	79	101	125	124	130	154	164	198	220	236	137,000
10	**L'il General Stores**	500	512	507	547	543	563	558	549	515	480	136,000

Source: Company Annual Reports, *CSA Research*

Meat substitutes pick up the slack

Product Category	% of 1979 Average Gross Margins	% of 1979 Total Supermarket Sales	% of 1979 Gross Profit $	1979 Supermarket Sales ($ Millions)	1978 Supermarket Sales ($ Millions)	% Diff.
Canned Vegetables	21.2	1.59	1.45	$ 2,489.34	$ 2,261.82	10.06
Canned Fruit	20.2	0.72	0.61	1,120.13	992.22	12.89
Canned Juice	19.1	1.12	0.91	1,752.61	1,555.28	12.69
Canned Meat/Specialties	22.1	0.69	0.68	1,085.81	953.78	13.85
Canned & Dry Soup	19.6	1.03	0.85	1,623.62	1,552.80	4.56
Canned Fish	16.6	1.08	0.79	1,699.61	1,464.73	16.04
Canned & Dry Milk	13.5	0.24	0.14	370.42	328.44	12.78
Breakfast Foods	19.3	1.51	1.25	2,365.60	2,141.76	10.45
Pasta Products	22.2	0.52	0.50	811.51	667.89	21.50
Dried Vegetables	24.7	0.33	0.34	524.47	487.89	7.50
Dried Fruit	25.7	0.19	0.21	303.88	263.58	15.29
Frozen Foods	28.3	6.48	7.92	10,174.07	9,267.83	9.78
Dairy Products	23.0	11.69	11.58	18,346.46	15,920.10	15.24
Soft Drinks & Mixes	23.4	2.91	2.93	4,570.59	4,102.74	11.40
Coffee	10.4	2.46	1.09	3,861.68	3,372.72	14.50
Beer	26.5	2.74	3.12	4,295.84	3,974.40	8.09
Wine	39.6	0.24	0.41	375.99	372.60	0.91
Tea	21.9	0.38	0.36	595.31	471.96	26.14
Bakery Foods	20.2	3.64	3.16	5,712.12	5,285.40	8.07
Cookies/Crackers	25.9	2.13	2.37	3,345.43	2,975.02	12.45
Snacks	27.2	1.31	1.54	2,053.44	1,835.71	11.86
Sugar	9.7	0.40	0.17	621.84	524.40	18.60
Premixes & Baking Needs	22.5	0.96	0.94	1,504.76	1,293.06	16.37
Oils & Shortenings	17.0	0.59	0.43	918.03	796.26	15.29
Spices	33.2	0.41	0.57	649.67	576.50	12.73
Flour	16.3	0.31	0.21	491.91	473.34	3.92
Pickles/Olives/Relishes	27.6	0.43	0.52	673.76	621.00	8.50
Dressings	18.7	0.72	0.59	1,130.80	1,002.42	12.81
Sauces	22.3	0.82	0.78	1,286.99	1,129.40	13.95
Desserts & Toppings	22.9	0.29	0.30	457.55	430.56	6.27
Spreads	21.2	0.48	0.45	748.86	661.02	13.29
Syrups	21.9	0.20	0.19	317.89	295.32	7.64
Pet Products	22.8	2.05	2.02	3,218.50	3,026.36	6.35
Candy & Gum	31.7	1.19	1.63	1,867.12	1,700.16	9.82
Baby Foods	13.4	0.45	0.24	703.92	632.06	11.37
Nuts	27.4	0.39	0.47	615.69	570.52	7.92
Diet/Lo-cal/Health Foods	25.2	0.34	0.36	534.23	461.64	15.87
Tobacco Products	10.6	4.50	2.04	7,061.52	6,402.33	10.30
Health & Beauty Aids	27.7	4.98	5.93	7,810.29	6,234.67	25.27
Paper/Film/Foil	20.5	2.68	2.37	4,209.39	3,614.22	16.47
Soaps & Detergents	17.4	1.83	1.35	2,869.24	2,498.42	14.93
Housewares	36.6	2.20	3.43	3,454.93	2,850.42	21.21
Laundry & Ironing Aids	20.3	0.53	0.43	830.47	738.28	12.49
Cleansers	25.3	0.64	0.71	1,007.34	880.82	14.36
Books & Magazines	30.4	0.66	0.86	1,033.96	895.90	15.41
Stationery/School Supplies	47.2	0.28	0.53	433.22	351.35	23.30
Soft Goods	40.6	0.55	0.95	860.86	747.22	15.21
Waxes & Polishes	30.1	0.15	0.17	233.69	213.90	9.25
Cleaning Implements	36.3	0.21	0.35	333.70	253.92	31.42
Misc. Household Supplies	32.7	0.21	0.30	335.60	275.46	21.83
Produce	31.5	8.08	10.98	12,683.54	11,619.60	9.16
Meats	20.5	19.19	16.93	30,126.57	27,612.42	9.11
Unclassified	41.5	0.31	0.55	485.93	1,071.00	−54.62
Total	23.2	100.00	100.00	$156,990.00	$140,700.00	11.58

It should come as no surprise that pasta (up 21.5%), canned fish (up 16.0%), dairy products (up 15.2%) and dried fruits (up 15.3%) would outpace the 11.6% overall sales gain posted by the supermarket industry in 1979.

Each of these categories benefited from outlandish red meat prices most of the year. Meat sales fell back as a category and at year-end showed an industry-trailing sales gain of only 9%—with virtually all of the gain in prices.

Surprisingly, produce dropped back almost as much as meat. In terms of total department contribution to store sales, produce departments contributed 8.1% of the total volume vs. 8.24% a year earlier. Produce sales volume overall, however, moved ahead 9.2%. But because availability was heavier than in 1978, retail prices were lower, and profit contributions to total store sales dropped almost a percentage point.

On the general merchandise side of the store, health and beauty aids, stationery, cleaning implements and household supplies made the strongest gains.

Incidence of purchase: scan data tells how often shoppers buy

A. **Incidence of Purchase** (per 1,000 POS transactions)

Instant coffee	Unit sales	Dollar sales
1979	37	$111.94
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	+13	[illegible]

*Rounded to nearest whole number

Source: TRIM Inc.

B. **Incidence of Purchase** (per 1,000 POS transactions)

Ground coffee	Unit sales	Dollar sales
1979	47	$181.42
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	+2	+18

*Rounded to nearest whole number

Source: TRIM Inc.

Over 1,500 supermarkets equipped with scanners are building a mountain of data that one day soon will place the control of product flow almost completely in the hands of store operators.

The rate at which products move off store shelves and into consumers' kitchens ranks high on the list of priorities for buyers and merchandisers.

A new barometer has been developed by TRIM Inc. of Los Angeles, Calif., to guide merchandisers in plotting space allocation and stock replenishment. *Chain Store Age Supermarkets* terms this barometer—purchase incidence per customer transaction—as PICT.

In basic terms, PICT identifies the number of units sold per 1,000 cash register ring-ups—regardless of time frame.

To see how PICT works, let's take instant coffee as an example.

Chart A shows that in 1979 there were 37 unit sales for every 1,000 transactions rung up. These 37 units contributed $111.94 of the total dollars rung up for the 1,000 transactions.

If a given supermarket produces weekly sales volume of $120,000 and the average transaction is $12, that means 370 units of instant coffee moved off this store's shelves.

While this particular example does not break out size or brand, when compared to the PICT of other products sold in the coffee/tea category it does provide a store operator the opportunity to determine customer preference in relationship to competing items.

Chart B, ground coffee, shows a PICT of 47 units per 1,000 transactions and dollar sales of $181.42.

Using the same sales volume of $120,000 and the same average transaction value of $12, some 470 ground coffee units were moved in a one-week period.

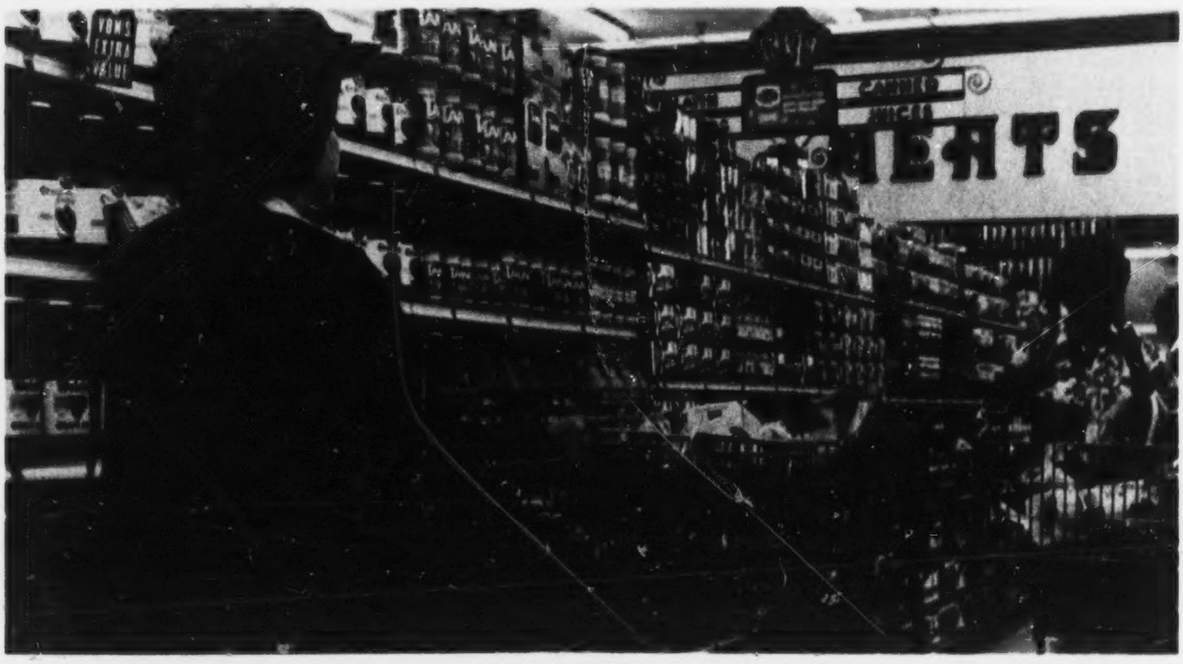
Ground coffee units moved at a rate 27% faster than did instant coffee. While the container sizes of ground coffee and instant coffee obviously were not the same, ground coffee, in this example, produced 62% more in sales volume.

Armed with the PICT data store operators and buyers can more readily determine what items their customers are currently buying as well as plot weekly shifts.

Beginning with the September issue, *Chain Store Age Supermarkets* will publish a quarterly PICT update on 35 of the grocery and H&BA items most commonly found on customers' shopping lists. ☐

Terms used in this section

Supermarket:	Complete full-line self-service food market operating in a sales area of at least 6,000 sq. ft. and producing annual sales volume of at least $1 million.
Superstore:	Complete full-line food market operating in a sales area of at least 25,000 sq. ft. and currently producing an annual sales volume of $5 million. A superstore will include both service and self-service departments.
Chain supemarket:	A multi-unit operation (two or more links is the U.S. Census Bureau guideline for multi-unit retailers) whose stores are controlled, coordinated or directly influenced by a central headquarters executive staff via single company ownership.
Co-op group:	A cooperatively owned group in which both multi-unit and single-unit owners band together for the purpose of economic buying and to achieve strength of chain patterns of distribution (such as Certified Grocers of California).
Voluntary group:	A wholesaler-headquartered food operation with which single- and multi-unit retailers affiliate, usually under a common "house" name, such as Super Valu, IGA etc.
Convenience store:	A food retailer of limited lines of items in a freestanding sales area of 2,500 sq. ft. or less, concentrating on selected fast-moving products.



'Chilled' dilutes canned juice sales

Canned juice manufacturers found 1979's road to growth strewn with stumbling blocks and, while most came through unscathed, a few suffered some nasty bruises.

The mid-1970's boom in powdered breakfast drinks came to a screeching halt last year. Sales of nectar juices fell back to 77's level. The topsy-turvy movement of ades and bases was on the down side. And tomato juice, true to recent form, proved a dull performer.

The result? Overall retail volume barely kept pace with inflation as unit movement, the industry's barometer of real growth, slipped several percentage points.

Yet by all accounts it shouldn't have ended up that way. In the preceding year, burgeoning consumer demand for natural fruit juices lifted department sales 22%. Considered a perennial growth category, canned juice volume was expected to advance in '79 at a near-equal clip.

But a hitch developed. Unrelenting pressure from chilled juice marketers finally hit the canned category broadside as dairy case juice evolved into the supermarket's hottest items. Entering 1980, chilled juice is a $900 million business, up a whopping 34%.

That may be an understatement, according to retailers polled by *Chain Store Age*. In fact, many consider as inevitable a tug-of-war between the two categories.

Despite the assault, several lines registered impressive gains. Sizzling sales of cranberry juice and steady movement of apple, grape and orange juices relieved the downward pressure of nectar and other fruit juices.

Ocean Spray credits softer powdered sales and growing consumer demand for pure juices for its across-the-board real growth. "Cranapple, our No. 2 product, has had two-digit tonnage increases over the past three years," says a company spokesman. Strong incremental sales were contributed by CranGrape, introduced by Ocean Spray last year.

A significant increase in Welch's advertising budget for its grape

Incidence of Purchase
(per 1,000 POS transactions)

Fruit-flavored drinks	Unit sales	Dollar sales
1979	32	$22.53
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	+5

Source: TRIM Inc.

juice paid off handsomely last year, boosting case sales 12%-14%. "We're pumping even more money into our promotional campaign this year," says Jay Manthia, product manager.

One of Welch's—and the category's—hottest items is its white grape juice, a product brought back to life via Madison Avenue. Since its rebirth in September '78, sales have climbed 60%.

Pineapple juice: Canned pineapple fruit may have been in the doldrums in '79, but the liquid form continues to be gulped down at a record rate. "Pineapple juice practically sold itself," says a spokesman for Dole, the leader in the category.

Actually, it was a super year in terms of profits to canners. A meager carry-in of single-strength 24/2's made for a tight market as demand outstripped supplies. Blended pineapple juices went along for the ride, enjoying an outstanding year.

Quite the opposite for the ready-to-drink line, which has declined at a rate of 3% a year over the past five years. "Shifting demographics and a steady proliferation of products have taken the momentum out of ready-to-drink items," says a spokesman for RJR Foods (makers of Hawaiian Punch).

Stiff competition spurs tug-of-war; volume barely keeps pace with inflation

Here again, though, the magic of advertising is fueling a comeback for the ready-to-drink category. An extensive TV campaign featuring teen idols Donnie and Marie Osmond is credited with stabilizing sales in late '79 and forging modest growth through early '80.

"More consumers may be buying the high-concentrate fruit juices for nutritional value," says the RJR spokesman, "but the ten-percenters are still perceived as a better value—and better for you—than carbonated beverages."

Apple juice: A product that exploded on the market three years ago when citrus prices went haywire, apple juice growth continues unabated. "It tastes good, it's relatively low-priced and it's natural," says a Midwest retailer in explaining the item's phenomenal success.

Larger 1979-80 crops spurred an 8% apple juice pack increase, making supplies plentiful and keeping prices firm. Shipments through April were up almost 25%. "In terms of real growth, apple juice is the premier category," says Don Seipke, vice president-sales and

Canned Juice: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Powdered Breakfast Drinks	**2.86**	**$ 50.13**	**$ 52.44**	**– 4.40**	**3.29**	**$ 11.03**	**5**	**22.0**
Fruit-Flavored Drinks	**22.97**	**402.63**	**331.20**	**21.57**	**21.46**	**71.90**	**49**	**17.9**
Orange	4.29	75.20	49.68	51.37	4.13	13.64	9	18.4
Grape	2.95	51.70	49.68	4.07	2.67	8.94	7	17.3
All Other Single Flavors	2.68	47.00	35.88	30.99	2.51	8.41	9	17.9
Pineapple-Grapefruit	1.34	23.50	17.94	30.99	1.28	4.28	2	18.2
Punches	6.61	115.93	103.50	12.01	6.02	20.17	14	17.4
All Other Combination Flavors	5.10	89.30	74.52	19.83	4.85	16.25	8	18.2
Ades & Bases	**2.06**	**36.03**	**37.26**	**– 3.29**	**2.34**	**7.82**	**5**	**21.7**
Fruit Juices	**57.45**	**1,006.96**	**906.66**	**11.06**	**58.40**	**195.47**	**83**	**19.4**
Apple Juice & Cider	19.83	347.79	306.36	13.52	20.90	69.91	23	20.1
Cranberry Juice	8.76	153.53	117.30	30.89	8.80	29.48	9	19.2
Grape Juice	4.27	74.82	64.86	15.36	4.56	15.26	7	20.4
Grapefruit Juice	8.22	144.13	139.38	3.41	7.49	25.08	10	17.4
Lemon Juice & Lime Juice	1.97	34.47	31.74	8.60	2.43	8.14	7	23.6
Orange Juice	2.77	48.56	41.40	17.29	2.86	9.57	4	19.7
Pineapple Juice	3.22	56.40	49.68	13.53	2.88	9.64	4	17.1
Prune Juice	4.92	86.16	74.52	15.62	4.45	14.91	8	17.3
Nectars	1.79	31.33	35.88	–12.67	2.20	7.36	7	23.5
All Other Fruit Juices	1.70	29.77	45.54	–34.62	1.83	6.13	4	20.6
Vegetable Juices	**14.03**	**245.89**	**219.42**	**12.06**	**13.72**	**45.94**	**21**	**18.7**
Tomato Juice	5.74	100.58	99.36	1.23	5.35	17.90	11	17.8
Tomato Cocktail	0.88	15.43	15.18	1.65	1.07	3.58	3	23.2
Vegetable Cocktail	7.05	123.61	99.36	24.41	6.90	23.12	5	18.7
All Other Vegetable Juices	0.36	6.27	5.52	13.59	0.40	1.34	2	21.4
All Other Canned Juices	**0.63**	**10.97**	**8.28**	**32.49**	**0.79**	**2.86**	**2**	**24.2**
Total	**100.00**	**$1,752.61**	**$1,555.26**	**12.69**	**100.00**	**$334.81**	**165**	**19.1**

% of total store volume . . . 1.12%

GRAPEFRUIT
Dole

marketing for Wilderness apple juice.

A strong point for Wilderness, as well as a growing number of other juice canners, is the strong appeal of glass containers and "family" sizes. "The message from retailers has been loud and clear," says Seipke. "Consumers are definitely more attracted to the glass items, particularly the half-gallons."

Tomato juice: Even before embarking on last year's problem-paved road, the endurance of tomato juice had been severely tested. Despite a large carryover and a bountiful fresh pack, sales of the red juice were virtually flat for the third straight year. One reason cited by canners for the lackluster performance is the surge by blended vegetable juices, which last year nudged out tomato juice as the red juice category leader.

Citrus juices: In sharp contrast to the higher 1978-79 grapefruit juice pack, which led to a softening of prices and brisk sales gains, last year's 15% smaller pack forced prices up and, consequently, dampened volume movement. To stimulate sales, canners have recently reduced prices, but observers say the siege by chilled products is the real culprit, not supplies.

Conversely, consumer purchases of canned orange juice continue to increase steadily, keeping prices anchored and supplies balanced. The only snag looming is the effect of a substantially larger Florida pack. ☐

Unit Movement

The following chart shows each canned juice category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Powdered Breakfast Drinks	27	1.63
Fruit Flavored Drinks	464	27.99
Orange	82	4.95
Grape	78	4.70
All Other Single Flavors	54	3.26
Pineapple-Grapefruit	27	1.63
Punches	122	7.36
All Other Combination Flavors	101	6.09
Ades and Bases	34	2.05
Fruit Juices	816	49.21
Apple Juice and Cider	243	14.65
Cranberry Juice	93	5.61
Grape Juice	54	3.26
Grapefruit Juice	153	9.23
Lemon Juice & Lime Juice	38	2.29
Orange Juice	42	2.53
Pineapple Juice	48	2.90
Prune Juice	71	4.28
Nectars	47	2.83
All Other Fruit Juices	27	1.63
Vegetable Juices	308	18.58
Tomato Juice	136	8.20
Tomato Cocktail	17	1.03
Vegetable Cocktail	149	8.99
All Other Vegetable Juices	6	0.36
All Other Canned Juices	9	0.54
Total	1,658	100.00

TUESDAY
49¢
TENDER
CHUNK
Ham

Commodity balance may spell relief

Working in the canned meat business is a little like being between a rock and a hard place most of the time. That's because the major commodities involved in processing, beef and pork, have production cycles that run exactly opposite to each other, forcing the processors to play hide and seek with suppliers.

For much of last year beef prices kept increasing, while pork prices dipped in the face of plentiful supplies.

But heading into the third quarter of 1980, the manufacturers were optimistic that supply and prices would moderate in both categories. Through the first quarter, the Department of Agriculture indicates that supplies of beef increased for the first time in two years. Prices of beef for canners actually dropped in March compared to the same month in 1979.

Projections for the second and third quarters were not quite that optimistic, but prices should be more palatable than they were at the same time last year.

Pork supplies have been unusually high, and both manufacturers and consumers are taking advantage of the resulting price drop. Supply will start to taper off by the third quarter, but not before processors get adequate product for the year.

"We're coming through much better now than in the 1973-74 period," says a spokesman for Armour, the Phoenix-based division of Greyhound Corp. "During that time we had an awful lot of Government intervention with price freezing, and it was killing the canned meat industry."

Strict structure: Probably no item is more sensitive to price than canned meat. The manufacturers perceive a strict structure into which their products fit, and they are not quick to change. In fact, one company held out for two years before succumbing to inflation's grasp, preferring to eat some profits in order to keep as many consumers as possible eating the product.

For products such as hash, meat spreads, and Vienna sausage, the strategy is apparently working. "You can't keep enough of the stuff in the store," says a manager for an Eastern co-op. "It just flies out of here."

Says one manufacturer, "We're convinced that we should be able to grow through this period despite the outside economic environment."

The single-serve portion part of the business has been a growth area of late. Last year for instance, 17% of the canned hash volume was in single-serve, and marketers expect that figure to climb with the number of one- and two-person households. Armour is currently test-marketing single-service.

Ethnics hot: Ethnic foods continue to keep pace, as consumers hunt for easy roads to less expensive but interesting meals. The ethnics had a combined growth of 25% last year, with Italian varieties leading the way at almost 43%.

"We had one of our best years ever last year," says a spokesman for Buitoni Foods, a Long Island-based distributor, "because consumers are looking for variety and quality as well as price."

The Spanish/Mexican market is still as hot as its product, particularly chili, which spiced up sales by almost one-third last year.

Oriental foods continue to set the pace in the ethnic categories with regard to long-term growth. Since 1976 the category has grown an astronomical 63%, on the heels of greatly expanded product lines and the marketing savvy of such giants as RJR Foods and Beatrice Foods.

Amid the overall growth is the shift away from the more pedestrian Oriental offerings such as chow mein and toward more exotic dishes. Dinners, for instance, advanced spectacularly in 1978, while both Chinese vegetables and noodles advanced more modestly. ☐

Canned Meat/Specialty Foods: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Italian Dishes	**22.41**	**$ 243.23**	**$170.11**	**42.98**	**22.01**	**$ 52.86**	**29**	**21.7**
Spaghetti w/Meat	3.91	42.43	35.88	18.26	3.87	9.29	6	21.9
Spaghetti—All Other	3.90	42.30	29.35	44.12	3.38	8.12	4	19.2
Macaroni w/Meat	3.01	32.67	15.18	115.22	2.90	6.96	2	21.3
Macaroni—All Other	1.01	10.97	9.66	13.56	1.01	2.44	2	22.2
Noodles—All Types	1.21	13.13	2.76	*375.72	1.44	3.47	1	26.4
All Other Italian Dishes	9.37	101.73	77.28	31.64	9.41	22.58	14	22.2
Spanish/Mexican Dishes	**20.47**	**222.32**	**186.30**	**19.33**	**21.77**	**52.21**	**33**	**23.5**
Chili—All Types	13.83	150.26	113.16	32.79	13.67	32.76	14	21.8
All Other Spanish/ Mexican Dishes	6.64	72.06	73.14	– 1.47	8.10	19.46	19	27.0
Oriental Dishes	**13.73**	**149.27**	**131.67**	**13.37**	**15.79**	**37.89**	**27**	**25.4**
Oriental Dinners	3.46	37.60	24.84	51.37	3.92	9.40	5	25.0
Chow Mein	3.17	34.47	33.12	4.08	3.52	8.44	5	24.5
Chop Suey	0.76	8.27	7.47	10.71	0.91	2.18	2	26.4
Chinese Vegetables	2.45	26.63	23.46	13.51	2.82	6.76	6	25.4
Chinese Noodles	2.45	26.63	23.46	13.51	2.81	6.74	4	25.3
All Other Oriental Dishes	1.44	15.67	19.32	– 18.88	1.81	4.36	5	27.8
Prepared Meat Dishes	**10.11**	**109.66**	**102.12**	**7.38**	**9.62**	**23.10**	**16**	**21.1**
Chopped Meats w/Sauce	0.87	9.40	9.66	– 2.68	0.88	2.11	2	22.4
Sliced Meats w/Sauce	0.87	9.40	9.66	– 2.68	0.83	2.00	2	21.3
Hash	4.33	47.00	40.02	17.44	4.07	9.78	5	20.8
Stew	3.75	40.73	38.64	5.41	3.51	8.43	6	20.7
All Other Prepared Meat Dishes	0.29	3.13	4.14	– 24.39	0.33	0.78	1	25.0
Prepared Poultry Dishes	**2.31**	**25.07**	**23.46**	**6.86**	**2.37**	**5.67**	**5**	**22.6**
Poultry Dinners	1.30	14.10	12.42	13.53	1.32	3.16	3	22.4
All Other Prepared Poultry Dishes	1.01	10.97	11.04	– 0.62	1.05	2.51	2	22.9
Plain Meats	**24.77**	**268.90**	**276.62**	**– 2.78**	**21.93**	**52.67**	**23**	**19.6**
Chopped Meat	0.82	8.97	8.28	+ 7.00	0.90	2.16	2	24.1
Corned Beef	3.62	39.30	38.64	1.65	2.94	7.90	2	20.1
Dried Beef	1.64	17.80	17.94	– 0.78	1.50	4.04	2	22.7
Luncheon Meat & Tongue	7.27	78.90	78.66	0.38	4.20	11.36	3	14.4
Vienna Sausages	3.87	42.00	41.40	1.42	3.28	8.82	4	21.0
Meat Spreads	5.07	55.03	64.10	– 14.15	4.40	11.28	6	20.5
All Other Plain Meats	0.29	3.13	4.14	– 24.39	0.28	0.68	1	21.8
Ham	2.19	23.77	23.46	1.32	2.68	6.44	3	27.1
Plain Poultry	**4.90**	**53.26**	**48.30**	**10.27**	**5.10**	**12.28**	**8**	**23.0**
Boned	2.31	25.07	23.46	6.86	2.46	5.92	3	23.6
Whole	0.29	3.13	2.76	13.41	0.27	0.66	1	21.0
Spreads	1.15	12.53	12.42	0.89	1.23	2.96	2	23.6
All Other Poultry	1.15	12.53	9.66	29.71	1.14	2.74	2	21.9
All Other Canned Meat & Specialty	**1.30**	**14.10**	**15.18**	**– 7.10**	**1.41**	**3.38**	**4**	**24.0**
Total	**100.00**	**$1,085.81**	**$953.76**	**13.85**	**100.00**	**$240.05**	**145**	**22.1**

% of total store volume . . . 0.69%

*Category redefined

Cereal makers zero in on adults

Bowing to the steady shrinkage of cereal's prime consuming segment, people under 25, manufacturers last year set their sights on a ripe adult market and unleashed a myriad of new high-fiber products.

Cereal makers succeeded in breaking out of a three-year rut of flat unit volume growth by posting a modest gain. But the big winners were retailers, who enjoyed the residual effects of lucrative trade allowances and stepped-up consumer advertising.

The flurry of promotional activity, together with across-the-board price hikes, spurred solid dollar increases for most subcategories. But what has manufacturers sleeping peacefully are the far-reaching implications of a broadened consumer audience.

"When Kellogg broke with straight dollar deals vs. cents-off, we knew it was going to be an exciting year," reflects the grocery buyer for a major Northeast chain. "They got a taste of what promotions can do for sales and dove in head first."

What Kellogg and its competitors took aim at was the older health-conscious shopper, and the inducements were products rich in bran and fiber and devoid of sugar. They were right on target.

On the bandwagon: Kellogg, for instance, went national last February with Most, a high-fiber multivitamin and iron supplement cereal, and quickly garnered a 0.8% market share. Six months later the company followed with Honey & Nut Corn Flakes.

Kellogg can use the boost. While it continues to field four of the five top-selling products, its 40% market share has slipped a few notches in recent years. And it faces a stiff

Breakfast Foods: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cereal	78.48	$1,856.44	$1,668.42	11.27	75.55	$344.97	168	18.6
Breakfast Additives	15.89	376.00	347.76	8.12	17.84	81.48	50	21.7
Toaster Pastries	2.78	65.80	55.20	19.20	3.17	14.45	18	22.0
Instant Breakfast [solid]	2.85	67.38	70.38	− 4.26	3.44	15.70	10	23.3
Total	100.00	$2,365.60	$2,141.76	10.45	100.00	$456.60	246	19.3

% of total store sales . . . 1.51%

challenge from several rivals.

Breathing heavily down its back is General Mills, the only manufacturer to register a significant share increase last year. Credit goes in part to the enormous success of its Honey Nut Cheerios, which captured a hefty 1.6% share of the $1.8-billion category since its rollout in '79. General Mills hopes to close the gap further with its newest entry, Crispy Wheat 'n Raisins.

Ralston Purina, determined to increase its single-digit market share, jumped into the high fiber bandwagon with HoneyBran Cereal. Introduced nationally last July in a 12-oz. box, its success has already spawned an 18-oz. line extension. This month, Ralston breaks with Wheat & Raisin Chex in both 18- and 23-oz. sizes in an extension of its firmly positioned Bran Chex.

Not to be left out, Quaker Oats went national with Quaker Corn Bran with the clear intention of widening its market base. Protracted labor problems, though, curbed productivity, putting a crimp on tonnage gains. But the company advanced on the strength of its mainstay, Cap'n Crunch.

Presweeteneds: The dramatic shift toward high-fiber breakfast foods leads some observers to believe that it's more likely a solution to the Government's unrelenting antisugar campaign than a response to growing consumer demand.

Cereal makers staunchly refute that claim, contending there will always be a market for presweetened products. Quaker may have found an ideal alternative with its Halfsies, a cold cereal with roughly half the amount of sugar in a typical presweetened product.

"There are three types of parents in the marketplace," says Quaker's new products manager, "those who have no qualms about letting their children eat presweeteneds; those who feel it's definitely bad for you; and those—somewhere in the middle—who want their kids to eat cereal they enjoy, but are a little wary of excess sugar. Halfsies is directed at the last group, and the test results so far show that it's a large audience." Quaker, still test-marketing Halfsies in three cities, is shooting for a national rollout by year's end.

There's an ironic footnote to the sugared cereal controversy: The financially anemic Federal Trade Commission is rapidly running out of time to carry out its scheme to

Incidence of Purchase
(per 1,000 POS transactions)

Ready-to-eat cereals	Unit sales	Dollar sales
1979	**138**	**$140.87**
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	**N/C**	**+8**

Source: TRIM Inc.

Breakfast Cereals: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Ready-to-Eat Cereals	**88.11**	**$1,635.54**	**$1,479.36**	**10.56**	**87.47**	**$301.74**	**138**	**18.4**
Combo Packs	2.62	48.56	46.92	3.50	2.60	8.98	5	18.5
Sweetened	26.25	487.22	437.46	11.37	26.27	90.62	47	18.6
Hi-Protein	12.49	231.86	208.38	11.27	11.96	41.27	16	17.8
Corn Flakes	4.39	81.46	70.38	15.74	3.94	13.60	6	16.7
Wheat Flakes	3.21	59.53	56.58	5.21	3.14	10.83	5	18.2
Bran & Wheat Germ	15.95	296.09	262.20	12.93	15.71	54.18	23	18.3
Puffed Rice, Wheat, Oats	5.23	97.13	89.70	8.28	5.35	18.46	10	19.0
Cold Oats	4.73	87.73	84.18	4.22	4.40	15.18	5	17.3
Shredded	3.71	68.93	78.66	−12.36	3.86	13.30	4	19.3
All Other Ready-to-Eat Cereals	5.06	94.00	56.58	66.14	5.40	18.61	7	19.8
Natural Cereals	4.47	83.03	88.32	−5.98	4.84	16.69	10	20.1
Hot Cereals	**11.89**	**220.90**	**189.06**	**16.84**	**12.53**	**43.23**	**30**	**19.6**
Oats	7.17	133.16	113.16	17.67	7.06	24.37	14	18.3
Wheat [Incl. Farina]	2.36	43.87	41.40	5.97	2.72	9.39	7	21.4
Hominy Grits	1.10	20.37	16.56	23.01	1.28	4.40	3	21.6
All Other Hot Cereals	0.84	15.67	13.80	13.55	1.04	3.59	5	22.9
Kasha & Barley	0.42	7.83	4.14	89.13	0.43	1.49	1	19.0
Total	**100.00**	**$1,856.44**	**$1,668.42**	**11.27**	**100.00**	**$344.97**	**168**	**18.6**

% of total store volume . . . 1.18%

Unit Movement

The following chart shows each breakfast cereal category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Ready-to-Eat Cereals	**1,380**	**85.93**
Combo Packs	39	2.43
Sweetened	373	23.23
Hi Protein	187	11.64
Corn Flakes	94	5.85
Wheat Flakes	52	3.24
Bran & Wheat Germ	232	14.45
Puffed Rice, Wheat, Oats	115	7.16
Cold Oats	79	4.92
Shredded	68	4.23
All Other Ready to Eat Cereals	80	4.98
Natural Cereals	61	3.80
Hot Cereals	**226**	**14.07**
Oats	132	8.22
Wheat [Incl. Farina]	45	2.80
Hominy Grits	25	1.56
All Other Hot Cereals	19	1.18
Kasha & Barley	5	0.31
Total	**1,606**	**100.00**

place restrictions on cereal TV commercials aimed at children.

Hot cereals: In contrast, this remains a consistently dull category. Despite strong urgings by chain buyers that any significant growth in the hot cereal market can only come from new products and stronger promotions, manufacturers stay placid in their efforts.

Fortunately for cereal makers, rising nutrition-consciousness and a growing base of senior citizens produces a steady consumer franchise for the cold-weather breakfast food.

Toaster pastries: A handful of new products and several line extensions kept sales of these products popping through '79, but the prognosis for '80 is not too favorable. In the current economic slowdown, notes a Kellogg spokeswoman, consumers perceive toaster pastries as convenience items that can be sacrificed.

Breakfast additives, despite healthy gains by dry milk and syrups, was a disappointing category due to the impotent performance of instant breakfasts.

A 'natural' alternative: While sales of natural-style cereals seem to have settled into a catatonic state after an overnight boom, a relatively new product sharing the breakfast food shelf has evolved into a major entity. Snack bars, composed primarily of rolled granola, have gone from a $20 million business five years ago to a $75 million gold mine today and represent the major portion of a flagging breakfast meal bar category.

Although the bars are designed for between meals rather than a breakfast replacement, a growing number of mothers prefer to start their kids' days off with a natural snack bar instead of cookies or cupcakes. "Actually, these Granola and Crunchola Bars have earned a separate section for themselves," says a buyer for a Midwest food chain. "But they move so fast out of the cereal aisle, I don't dare toy with fate." ☐

Breakfast Additives/Pastries: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Toaster Pastry	**12.93**	**$ 65.80**	**$ 55.20**	**19.20**	**12.94**	**$ 14.45**	**18**	**22.0**
Regular [Unfrosted]	5.85	29.77	22.08	34.83	5.81	6.49	9	21.8
All Other Toaster Pastry	7.08	36.03	33.12	8.79	7.13	7.96	9	22.1
Breakfast Additives	**73.84**	**376.00**	**347.76**	**8.12**	**73.00**	**81.48**	**50**	**21.7**
Instant Breakfast [Liquid & Mixes]	10.77	54.83	62.10	−11.70	10.61	11.84	9	21.6
Milk Additive—Dry	12.61	64.23	46.92	36.89	10.47	11.69	6	18.2
Milk Additive—Syrup	6.77	34.47	28.98	18.94	6.45	7.20	3	20.9
Cocoa & Cocoa Mixes	38.77	197.40	183.54	7.55	40.51	45.21	28	22.9
Ovaltine & Postum	4.92	25.07	26.22	− 4.38	4.96	5.54	4	22.1
Instant Breakfast [Solid]	13.23	67.36	70.38	− 4.28	14.06	15.70	10	23.3
Total	**100.00**	**$509.16**	**$473.34**	**7.57**	**100.00**	**$111.63**	**78**	**21.9**

% of total store sales . . . 0.33%

Oversupply, competition sap profits

The nation's canners are licking their wounds in the aftermath of one of the worst beatings ever taken by the $2.5 billion industry. Tremendous oversupplies of virtually all vegetables drained profits in '79, and despite a cut in acreage this summer, chances of a turnaround are considered slim.

Excess inventory is forcing canners to hold prices at a time when supermarketers are reducing shelf space and pruning product lines. Consumption, which historically rises as prices soften, remains relatively flat.

Moreover, the impact of private label and generic canned vegetables is heightening as retailers place more emphasis on price variety than brand variety. The impressive sales gains registered by private label during a period of flat growth for the category is perhaps the harshest sign of the brand marketers' plight.

Squeezed on all sides, many canners are streamlining operations in an effort to improve a tenuous bottom line. Others are shifting the balance of business from the volatile canned vegetable industry to more reliable and consistently profitable categories.

"Anyone strictly in the business of canned vegetables is feeling the pinch," says Marcel Tas, group product manager at Libby. Another manufacturer was less subtle: "There haven't been any profits for the past 18 months."

The 1979-80 supply was expected to be tighter than the previous season, and most canners had looked forward to a year of modest, if not superb, profitability. But leave it to the weather to spoil things. "It was simply a perfect growing season for all commodities," explains an agricultural economist for the U.S.D.A.

Packs of canned vegetables

Incidence of Purchase
(per 1,000 POS transactions)

Canned corn	Unit sales	Dollar sales
1979	55	$17.93
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	+15	+17

*Rounded to nearest whole number

Source: TRIM Inc.

reached record levels, making stocks downright burdensome. Most notable were large packs of canned tomatoes, tomato products and peas. Supplies of three major products—beans, corn and peas—jumped 15% above year-earlier levels to 161.7 million cases (24/303's).

The result? Downward price pressure on canners, but no upward movement of the category.

All this, of course, left retailers holding the upper hand entering 1980. Stocks remain above normal, and canners, in an effort to stimulate sluggish movement, are stepping up promotional allowances to the trade and cents-off deals to consumers.

Too little, too late?: The outlook for canners is somewhat rosier, thanks to the Government's decision to curb plantings of most crops this summer by an average of 9%.

Canned Vegetables: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Baked Beans	**11.07**	**$ 275.72**	**$ 235.98**	**16.84**	**10.51**	**$ 55.42**	**21**	**20.1**
With Pork	6.55	162.93	140.76	15.75	6.00	31.61	12	19.4
With Franks or Other Meat	0.25	6.27	5.52	13.59	0.27	1.45	1	23.1
Barbecued	0.31	7.83	6.90	13.48	0.28	1.50	1	19.1
Vegetarian	0.50	12.53	9.66	29.71	0.49	2.61	1	20.8
Plain	3.46	86.16	73.14	17.80	3.47	18.27	6	21.2
Beans	**18.25**	**454.33**	**415.38**	**9.38**	**19.28**	**101.36**	**55**	**22.3**
Green	10.06	250.66	224.94	11.43	10.13	53.14	24	21.2
Lima	1.20	29.77	24.84	19.85	1.34	7.06	6	23.7
Wax	0.82	20.37	20.70	− 1.58	0.88	4.64	5	22.8
Kidney	1.76	43.87	42.78	2.55	2.00	10.53	4	24.0
All Other Beans & Bean Combos	4.41	109.66	102.12	7.38	4.93	25.99	16	23.7
Peas	**8.56**	**213.06**	**186.30**	**14.36**	**8.37**	**44.09**	**23**	**20.7**
Regular Green	6.61	164.49	151.80	8.36	6.28	33.06	17	20.1
Blackeyed & Field	0.94	23.50	15.18	54.81	1.01	5.34	4	22.7
All Other Peas	1.01	25.07	19.32	29.76	1.08	5.69	2	22.7
Corn	**11.01**	**274.15**	**245.64**	**11.61**	**9.93**	**52.34**	**24**	**19.1**
Whole Kernel	7.74	192.69	172.50	11.70	6.80	35.84	15	18.6
Cream Style	2.77	68.93	60.72	13.52	2.63	13.86	8	20.1
All Other Corn	0.50	12.53	12.42	0.89	0.50	2.64	1	21.1
Tomatoes	**11.58**	**288.25**	**255.30**	**12.91**	**11.40**	**60.08**	**25**	**20.8**
Regular	6.04	150.39	132.48	13.52	6.02	31.73	13	21.1
Italian	2.08	51.70	30.36	70.29	1.67	8.79	4	17.0
All Other Tomatoes	3.46	86.16	92.46	− 6.80	3.71	19.56	8	22.7
Tomato Products	**14.03**	**349.35**	**345.00**	**1.26**	**12.32**	**64.92**	**25**	**18.6**
Sauce	7.55	187.99	186.30	0.91	6.60	34.78	14	18.5
Paste	4.59	114.36	107.64	6.24	3.93	20.70	8	18.1
Puree	1.89	47.00	51.06	− 7.94	1.79	9.45	3	20.1
Beets	**2.71**	**67.38**	**63.48**	**6.11**	**3.02**	**15.90**	**15**	**23.6**
Asparagus	**2.89**	**72.06**	**71.76**	**0.42**	**3.04**	**16.00**	**9**	**22.2**
Cabbage	**0.38**	**9.40**	**8.28**	**13.53**	**0.45**	**2.38**	**2**	**25.3**
Carrots	**1.26**	**31.33**	**26.22**	**19.49**	**1.37**	**7.24**	**7**	**23.1**
Mixed Vegetables	**1.20**	**29.77**	**24.84**	**19.85**	**1.33**	**7.03**	**6**	**23.6**
Mushrooms	**6.55**	**162.93**	**157.32**	**3.57**	**7.45**	**39.27**	**16**	**24.1**
Onions	**0.57**	**14.10**	**12.42**	**13.53**	**0.63**	**3.33**	**2**	**23.6**
Carrots & Peas	**0.76**	**18.80**	**11.04**	**70.29**	**0.86**	**4.51**	**3**	**24.0**
White Potatoes	**1.13**	**28.20**	**26.22**	**7.55**	**1.25**	**6.60**	**4**	**23.4**
Pumpkin	**0.82**	**20.37**	**19.32**	**5.43**	**0.80**	**4.24**	**3**	**20.8**
Sauerkraut	**1.70**	**42.30**	**33.12**	**27.72**	**1.81**	**9.56**	**8**	**22.6**
Spinach	**1.38**	**34.47**	**31.74**	**8.60**	**1.46**	**7.69**	**6**	**22.3**
Squash & Zucchini	**0.25**	**6.27**	**6.90**	**− 9.12**	**0.27**	**1.42**	**2**	**22.6**
Yams & Sweet Potatoes	**1.95**	**48.56**	**45.54**	**6.63**	**2.23**	**11.75**	**8**	**24.2**
All Other Canned Vegetables	**1.95**	**48.56**	**40.02**	**21.34**	**2.22**	**11.70**	**15**	**24.1**
Total	**100.00**	**$2,489.34**	**$2,261.82**	**10.06**	**100.00**	**$526.81**	**279**	**21.2**

% of total store volume . . . 1.59%

But whether that's enough to balance supplies through the year remains to be seen.

"This is a positive step, though it's probably not sufficient," says Dick Lynch, director of product management for Del Monte, one of the leading forces in the category and one of the few canners to strengthen its position during a severe down cycle.

Libby's Tas is more bullish on the near future, viewing acreage adjustments as the "silver lining" for canned vegetables. The product manager also points out that during recessionary periods the category fares better than most.

Indeed, the consumer will be the ultimate factor in measuring the kind of year canned vegetables will have. "And she's never been more unpredictable," says a buyer for a Midwestern chain.

In any event, *Chain Store Age* offers this capsule view of the 1980 vegetable situation:

Peas: Despite the overabundant pack of 36.5 million cases (24/303's) and heavy promotion by canners, shipments of peas through March 1 were up only 5% from the year-earlier level. The June carryover will be large, and canners have contracted for 12% less acreage. But even with reduced crops, predictions are the 1980-81 supply will far exceed consumption trends.

Sweet corn: While shipments through early '80 ran 7% ahead of the previous year's pace, purchases couldn't keep up with the record supply of 69.8 million cases. In an effort to relieve the current supply pressure, acreage intentions for '80 are down 7%. With average yields and a projected carryover of more than 11 million cases, canners see the 1980-81 supply 4%-5% smaller than the previous season.

Lima beans: After rebounding in '78 from the prior year's crunch, canners found themselves sitting on excess stock last year as shipments crawled to a 17% slower pace. Retail prices were almost identical with those of a year earlier, and some canners are marking prices down further in an attempt to alleviate huge stocks.

Snap beans: A negligible carryover last July was offset by a more than 40% boost in stocks of canned snap beans (green and wax). Eying a larger carryover this month, growers plan to curb acreage 8% over last year. Retail prices rose only slighly in '79 and through mid-80 but still outpaced consumer demand.

Asparagus: In sharp contrast to the other commodities, here's a case where tight supplies have a negative impact on everyone, from processor to wholesaler to retailer to consumer. The '79 pack of 2.8 million cases (24/303's) was 17% less than a year earlier and the smallest in recent history. Once again, processors were caught in the squeeze between high production costs and consumer resistance to high retail prices. Wholesale prices remained firm in '79 at $30 per case, but buyers were still reeling from the year-earlier's 25% price hike. Normal weather in the Southwest growing region, where it's been persistently cold for four years, can help balance 1980-81 stocks. ☐

Unit Movement

The following chart shows each canned vegetable category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Baked Beans	**511**	**10.29**
With Pork	333	6.71
With Franks or Other Meat	9	0.18
Barbecued	11	0.22
Vegetarian	26	0.52
Plain	132	2.66
Beans	**953**	**19.24**
Green	586	11.84
Lima	42	0.85
Wax	52	1.05
Kidney	74	1.49
All Other Beans & Bean Combos	199	4.01
Peas	**458**	**9.24**
Regular Green	365	7.36
Blackeyed & Field	54	1.09
All Other Peas	39	0.79
Corn	**669**	**13.49**
Whole Kernel	483	9.74
Cream Style	167	3.37
All Other Corn	19	0.38
Tomatoes	**462**	**9.31**
Regular	261	5.26
Italian	51	1.03
All Other Tomatoes	150	3.02
Tomato Products	**893**	**18.00**
Sauce	587	11.83
Paste	251	5.06
Puree	55	1.11
Beets	**143**	**2.88**
Asparagus	**51**	**1.03**
Cabbage	**10**	**0.20**
Carrots	**75**	**1.51**
Mixed Vegetables	**75**	**1.51**
Mushrooms	**200**	**4.03**
Onions	**22**	**0.44**
Carrots & Peas	**39**	**0.79**
White Potatoes	**74**	**1.49**
Pumpkin	**31**	**0.63**
Sauerkraut	**81**	**1.63**
Spinach	**69**	**1.39**
Squash & Zucchini	**12**	**0.24**
Yams & Sweet Potatoes	**58**	**1.17**
All Other Canned Vegetables	**74**	**1.49**
Total	**4,960**	**100.00**

Soft drink sales go flat

No-holds-barred competition has become standard operating procedure in the frenzied world of supermarket soft drink retailing. After more than two decades of steady—sometimes even spectacular—growth, bottlers of carbonated beverages now find themselves locked in mortal combat for market share in a suddenly mature category.

Shifts in the age composition of the buying public have certainly contributed to the growth slowdown. The postwar baby boom generation is now mostly in its 30's, and there's no comparably large youth market moving in as a replacement. Soft drinks, which have traditionally appealed most strongly to teenagers and young adults, are therefore not getting the influx of new customers the industry has come to expect.

Supermarket soft drink sales moved ahead 10.4% in 1979, reaching nearly $4 billion, but the latest retail price spiral caused much of this apparent gain. The same 6-pack of 12-oz. cans that cost shoppers less than $1.50 in many markets a year ago now sells for a stratospheric $2.09 in cities like New York—and there's no indication that the trend will reverse during the balance of 1980.

The soft drink parent companies, which supply the syrup to the bottlers, view stepped-up promotion as the best way to put the category back on the growth track. Accordingly, the six largest companies—Canada Dry, Coca-Cola, Dr. Pepper, PepsiCo, Royal Crown and 7-Up—spent nearly $200 million to push carbonated beverages last year. Since several of these suppliers have recently launched major new ad themes, prospects are for even greater promotional spending this year and next.

Although deals and allowances abound, the higher everyday price for soft drinks is having a measurable effect on consumers. Among the main results:

1. Brand loyalty is taking a beating, as bargain-hunting shoppers react favorably to whatever is on special.
2. Economy sizes are continuing to increase in popularity.
3. Attempts to market 8-packs of cans have failed, since the resulting retail price strikes many supermarketers as prohibitive.

Some analysts believe that the popularity of the 2-liter size, spurred by the introduction of lightweight plastic bottles, is a two-edged sword. At first, the heightened sales of jumbo bottles seemed to spur consumption, but some now feel that it is having the opposite effect. "People don't want to open the bottles if they're going to take just one sip," contends industry analyst John C. Maxwell. He attributes as much as 0.5% in lost growth to the popularity of the big bottles.

Incidence of Purchase
(per 1,000 POS transactions)

Carbonated soft drinks	Unit sales	Dollar sales
1979	**550**	**$315.72**
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	−10	+1

Source: TRIM Inc.

SOFT DRINKS & MIXES

Other factors limiting growth in 1979 included:

1. A generally cool summer in the Northeast, cutting the need for thirst quenchers.

2. A drop in average disposable income, which tends to depress purchases of high-ticket items like soft drinks.

3. The gasoline shortage of 1979, which curtailed the vacation plans of many Americans, in turn reducing the number of occasions for soft drink guzzling.

Despite this sluggish growth, some brands outpaced the rest of the field by a wide margin to score double-digit sales gains in 1979. Coca-Cola's Tab gained 14% in sales, vaulting it into fifth place among leading labels, trailing only Coke, Pepsi, 7-Up and Dr. Pepper. PepsiCo had achievements to crow about, too, since its refurbished Mountain Dew and the reformulated Diet Pepsi achieved gains of, respectively, 20% and 12%.

Canada Dry, benefiting from a taste test that compared its club soda favorably with some imported waters as a mixer, stormed to a 29.8% sales increase. Schweppes also reports excellent performance, up 30%. A&W, which went into the retail sector of the soft drink market only a couple of years ago, is still climbing.

In general, it was a good year for low-calorie brands. Now accounting for 14.4% of supermarket soft drink sales, diet movement rose more than twice as fast as overall soft drink volume. Diet Pepsi and Diet 7-Up are both now among the top 10 brands.

Cola remains the most important flavor, with 62.3% of the market, but there's some jockeying for position among other varieties. Lemon-Lime responded to a flat year for 7-Up by declining slightly to 12.1%, and orange also showed a little weakness in slipping to 7.3%. Root beers, now 5.5%, picked up a little as did the Pepper-type potables, which finished with a 7.9% market slice. "Other"—a catchall that includes the rising batch of citrus soft drinks—also gained, moving up to 4.9% of the total.

Powdered mix growth slows: Mix sales did not advance much faster than inflation in 1979, moving ahead 10.4% to $491 million.

The avalanche of new items in this subcategory is finally showing signs of slowing down. This could, in turn, pave the way for a shakeout of "me, too" labels that many supermarkets feel is already overdue.

Presweetened formulations now beat the others by nearly three-to-one. If current trends continue, it looks like powders that need just water and stirring will grab the bulk of the business within the next two years.

Bottled water strong: The American Bottled Water Association estimates that one person in 20 currently uses bottled water, though the ratio is considerably higher on the West Coast (about one in six).

Supermarket sales, about 20% of the total, rose twice as fast as sales from all outlets in 1979. Retailers now allot significant space to water, fueling a trend away from direct home delivery (still the favored distribution method).

Cocktail mixes rise: Dry cocktail mixes are still important, led by the Holland House line, but there's a noticeable swing toward the liquids. Better mixing quality and generally weak packaging are blamed for the shift.

"We're looking for sales gains of 20% or more in 1980," says Jim Yates, president of Master of Mixes, a leading marketer of liquid cocktail mixes. "Liquid seems to have pushed out dry, even in the Northeast, where dry remains very strong."

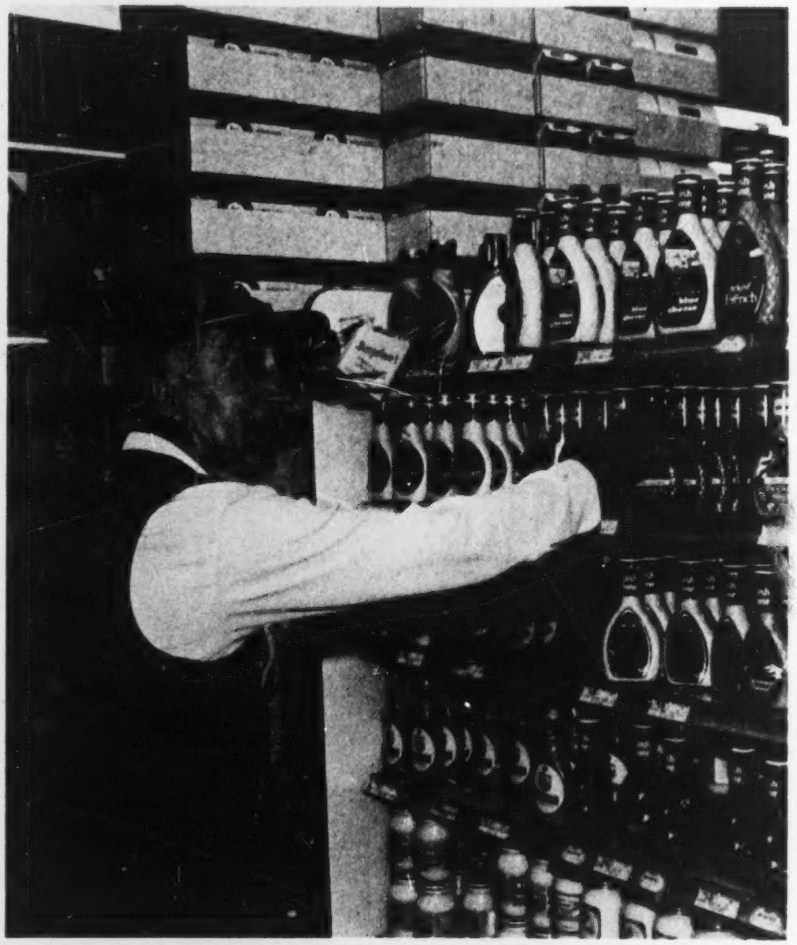
Fashions in mixed drinks have altered markedly in the last few years. The lines that best complement the move to "white goods" (vodka, gin, tequila) have the best chance of supermarket success. ☐

Soft Drinks: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Carbonated Soft Drinks	**85.69**	**$3,916.53**	**$3,546.60**	**10.43**	**82.82**	**$ 885.51**	**67**	**22.6**
Bottled, Regular	45.93	2,099.26	1,904.40	10.23	44.18	472.33	21	22.5
Canned, Regular	25.36	1,159.29	1,048.80	10.53	24.61	263.16	14	22.7
Low-Calorie	14.40	657.98	593.40	10.88	14.03	150.02	32	22.8
Soft Drink Beverage Mixes	**10.76**	**491.92**	**445.74**	**10.36**	**12.84**	**137.32**	**59**	**27.9**
Powders, Presweetened	7.92	361.89	298.08	21.41	9.51	101.69	43	28.1
Powders, Regular	2.84	130.03	147.66	− 11.93	3.33	35.63	16	27.4
Ice Bars	**0.14**	**6.27**	**5.52**	**13.59**	**0.21**	**2.29**	**1**	**36.5**
Syrups	**0.17**	**7.83**	**2.76**	**183.70**	**0.20**	**2.13**	**1**	**27.2**
Nonalcoholic Cocktail Mixes	**1.70**	**77.54**	**44.16**	**75.59**	**1.97**	**21.02**	**13**	**27.1**
Powdered	0.12	5.43	4.42	22.85	0.15	1.55	8	28.6
Liquid	1.58	72.11	39.74	81.45	1.82	19.47	5	27.0
Bottled Water	**1.54**	**70.50**	**57.96**	**21.64**	**1.96**	**20.94**	**7**	**29.7**
Total	**100.00**	**$4,570.59**	**$4,102.74**	**11.40**	**100.00**	**$1,069.21**	**148**	**23.4**

% of total store volume . . . 2.91%

Spaghetti sauce a winner



Sauces and dressings are entering the era of the Big Tradeoff.

In an atmosphere of economic turbulence and heightened nutritional awareness, consumers will be making choices based on budget, health, convenience, taste and lifestyle. And the order of their priorities will determine the sales fate of many products.

Spaghetti sauce has ridden the budget/convenience/taste escalator to double-digit sales increases over the past several years. Until sales began to level off, it was the fastest-growing member of the tomato sauce family.

Traditionally, when red meat prices rise, consumption of beef drops, and pasta and spaghetti sauce take off as consumers trade down their meals.

That's what happened in the consumer meat boycott of 1973 when pasta sales rose 20%. Yet pasta sales in 1979 increased only minimally and remained soft the first quarter of 1980. Spaghetti sauce, however, has fared better.

Pasta execs are perplexed by this double-vision readout. Sauce company officials, however, see it clearly: In addition to using pasta as a vehicle for spaghetti sauce, consumers are pouring spaghetti sauce over meat, pizza, and vegetables, as well as in main dishes.

Convenience is also encouraging people to give up old habits. Instead of using two products (tomato sauce and tomato paste) plus water to make their own spaghetti sauce, many are now buying ready-to-serve prepared spaghetti sauce.

The same scenario is apparent in spaghetti dry mix dressings. The need to add paste, seasoning and water to the enveloped product goes against the consumer's convenience grain.

Still, pasta is the base for 85% of spaghetti sauce usage. This fact is not lost on manufacturers, who are trading up to gourmet tastes by offering such combinations as mushroom/onion, onion/peppers, and sausage/peppers.

Salad dressings: Convenience is boosting the bottles and dueling dry mixes to a standstill.

Bottled salad dressing is receiving added impetus from a constant influx of new flavors (more than a half-dozen in the past 18 months). In addition, bottled may soon cut into dry mix's stronghold with expanded distribution of no-oil, gum and vinegar-based products.

The U. S. Surgeon General has fueled the launching of oil-free

Incidence of Purchase
(per 1,000 POS transactions)

Spaghetti sauce	Unit sales	Dollar sales
1979	16	$17.25
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+25	+25

Source: TRIM Inc.

dressings, saying that more than 40% of an individual's caloric intake is from fats and oils. That figure, according to the Surgeon General, should be no more than 25%, one-half of which should be polyunsaturated.

Dry salad mix is a natural on the oil-less wagon, because it allows the user to control the type, quantity and consistency of the oil.

In addition, dry mix costs less than bottled, offers a unique blend of spices and requires less storage space. Yet bottled, with assistance from working women, microwave ovens, fragmented dinners and quick meals, has overridden such considerations.

Changing eating habits are tipping sales toward vinegar-based dressings. This is particularly applicable as more diet-aware consumers use salads for a main dish. They regard oil-vinegar as an integral part of a fresh, light meal.

Low-calorie dressings have changed on two fronts: the name and the formula. As of July 1, 1980, the F.D.A. has decreed that in order for a food to be labeled "low-calorie," it must meet two criteria: (1) It may not exceed 40 calories per serving. (2) It may not contain more than 4/10ths of a calorie per gram. If it does not meet both criteria, then it might fit into the "reduced calorie" category.

Shoppers' search for economy, convenience and taste has boosted category as a whole

Sales of low-calorie foods in today's calorie-conscious marketplace have been below expectations (10% of the market) due to negative taste reaction. However, less than two years ago low-calorie products were reformulated, and with the new flavors low-calorie's sun has begun to rise again. A tip-off of things to come is Weight Watcher's line of dressings and sauces.

Ethnic touches: A bright spot in the ethnic category is Mexican sauces and seasoning mixes, which are riding on the coattails of fast-growing Mexican food. While ethnic foods are growing at an annual rate of 14%, Mexican food's volume is increasing at a 19%-23% annual rate.

An exec at Lawry's says Mexican seasoning mixes are fast approaching the sale of its spaghetti sauce mix and that taco seasoning mix is a runaway best seller.

Mustard: After running flat for five years, mustard is upscaling on two fronts. One is the industry's

Sauces: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Mixes & Seasonings	**10.84**	**$ 139.43**	**$ 135.24**	**3.10**	**15.88**	**$ 45.60**	**57**	**32.7**
Gravy Mix	3.53	45.43	37.26	21.93	5.30	15.22	17	33.5
Sloppy Joe Mix/Seasoning	0.73	9.40	11.04	– 14.85	1.04	3.00	3	31.9
Chili Mix/Seasoning	1.22	15.67	13.80	13.55	1.80	5.17	5	33.0
Spaghetti Sauce Mix/ Seasoning	1.22	15.67	17.94	– 12.64	1.82	5.22	6	33.3
Other Dry Mixes & Seasonings	4.14	53.26	55.20	– 3.50	5.92	16.99	26	31.9
Mustard	**5.96**	**76.76**	**69.00**	**11.25**	**6.23**	**17.88**	**17**	**23.3**
Catsup	**27.12**	**349.23**	**319.34**	**9.36**	**21.72**	**62.33**	**18**	**17.8**
Plain	24.44	314.76	303.68	3.65	19.41	55.71	14	17.7
All Other Catsup	2.68	34.47	15.66	120.11	2.31	6.62	4	19.2
Spaghetti Sauce	**26.54**	**341.53**	**270.48**	**26.27**	**23.23**	**66.65**	**34**	**19.5**
Meatless	15.22	195.83	161.46	21.29	13.24	37.99	20	19.4
With Meat	9.37	120.63	86.94	38.75	8.03	23.04	12	19.1
With Clams	1.95	25.07	22.08	13.54	1.96	5.62	2	22.4
Meat Sauce	**11.69**	**150.39**	**136.62**	**10.08**	**12.63**	**36.24**	**26**	**24.1**
Cooking Wine	**0.24**	**3.13**	**1.38**	**126.81**	**0.36**	**1.03**	**1**	**33.0**
Gravies, Prepared	**2.92**	**37.60**	**30.36**	**23.85**	**3.30**	**9.48**	**10**	**25.2**
Gravy Flavoring, Liquid	**0.49**	**6.27**	**6.90**	**– 9.12**	**0.55**	**1.57**	**1**	**25.1**
Chili Sauce	**1.44**	**18.53**	**19.32**	**– 4.08**	**1.53**	**4.39**	**3**	**23.7**
Cocktail & Seafood Sauce	**0.61**	**7.83**	**6.90**	**13.48**	**0.66**	**1.90**	**2**	**24.2**
Mexican Sauces	**4.11**	**52.90**	**48.30**	**9.52**	**4.96**	**14.23**	**14**	**26.9**
Pizza Sauce	**0.49**	**6.27**	**5.52**	**13.59**	**0.54**	**1.56**	**1**	**24.8**
Hot Sauce	**1.34**	**17.23**	**13.80**	**24.86**	**1.55**	**4.46**	**5**	**25.9**
Soy & Teriyaki Sauce	**2.07**	**26.63**	**26.22**	**1.56**	**2.41**	**6.92**	**6**	**26.0**
All Other Sauces	**4.14**	**53.26**	**40.02**	**33.08**	**4.45**	**12.78**	**17**	**24.0**
Total	**100.00**	**$1,286.99**	**$1,129.40**	**13.95**	**100.00**	**$287.03**	**212**	**22.3**

% of total store volume . . . 0.82%

Incidence of Purchase
(per 1,000 POS transactions)

Bottled salad dressings	Unit sales	Dollar sales
1979	41	$35.23
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	−3	+5

*Rounded to nearest whole number

Source: TRIM Inc.

promotion of mustard as an ingredient for gourmet cooking in addition to its traditional use as an add-on sauce. Two, in time of recession, mustard gets a lift because it's an inexpensive condiment.

Mustard's uptraded image is reflected in the Dijon-type products, along with the surge of brown and grey mustards.

Heublein's Grey Poupon, the No. 1 Dijon-type mustard, has increased volume 20% per year for the past four years.

The brown and grey mustard brigade is led by California, with the Midwest and East still preferring yellow. Overall, yellow does 75% of the total mustard business.

The advent of the poly-squeeze bottle six years ago didn't add many new customers, according to a leading manufacturer. "It just caused them to switch."

Mayonnaise: Convenience, habit, budget and calories all converge on mayonnaise, allowing this comparatively expensive item to maintain a steady sales course. A serving of mayonnaise has the same caloric content as a serving of butter or margarine, but consumers say they use less.

Also, most consumers view mayonnaise as a condiment—the same as mustard and catsup—and not as a "budget-cutter." A spokesman at General Foods notes that "mayonnaise sales are also being helped by the popularity of buttermilk-based dry dressings, which account for 18% of total salad dressings. This is because users add mayonnaise as well as buttermilk."

Catsup: According to sociologists, the American family is getting smaller, and with more singles and couples, smaller sizes are gaining market share. Yet Heinz's 44-oz. catsup has proved to be the "most successful new product introduction in many years," according to a Heinz marketer. "The appeal is not so much the 5% savings, but fewer trips to the store."

Despite the 44-oz. size, catsup sales are flat. The product has been able to avoid a big dip in sales because it is widely used to camouflage inexpensive cuts of meat.

Sauces, gravies: The same holds true for sauces and gravies. Typical is the double-digit growth of A-1 Steak Sauce. A-1, the top-selling steak sauce, has broadened usage through its Steakburger ad campaign.

Barbecue sauce is breaking away from its fun-in-the-sun image as leisure time increases. And high beef prices are making bland-tasting chicken an attractive buy—with barbecue sauce a natural flavor enhancer. ☐

Dressings: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Dressing Mixes for Salads	**5.13**	**$ 57.96**	**$ 59.34**	**− 2.32**	**6.73**	**$ 14.20**	**16**	**24.5**
Mayonnaise	**32.69**	**369.72**	**364.32**	**1.48**	**18.56**	**39.19**	**11**	**10.6**
Dressing for Salad	**14.69**	**166.06**	**149.04**	**11.42**	**13.78**	**29.06**	**7**	**17.5**
Dressings, Bottled	**41.11**	**464.99**	**386.66**	**20.26**	**53.56**	**112.93**	**61**	**24.3**
Italian	13.18	149.00	121.80	22.33	17.10	36.06	13	24.2
French	8.79	99.43	85.40	16.43	11.27	23.76	10	23.9
Russian	2.62	29.67	26.42	12.30	3.21	6.77	4	22.8
Thousand Islands	3.53	39.90	35.88	11.20	4.58	9.66	5	24.2
Coleslaw	0.69	7.83	6.90	13.48	0.95	2.00	1	25.5
Cheese	3.02	34.20	31.60	8.23	3.96	8.35	5	24.4
All Other Bottled Dressings	9.28	104.96	78.66	33.44	12.49	26.34	23	25.1
Spreads	**6.38**	**72.07**	**43.06**	**67.37**	**7.37**	**15.55**	**9**	**21.6**
Sandwich Spread	1.80	20.37	17.94	13.55	2.13	4.50	3	22.1
Tartar Sauce	0.97	10.97	8.28	32.49	1.25	2.63	1	24.0
Garlic Spread	0.42	4.70	4.14	13.53	0.59	1.24	1	26.4
All Other Spreads	3.19	36.03	12.70	183.70	3.40	7.17	4	19.9
Total	**100.00**	**$1,130.80**	**$1,002.42**	**12.81**	**100.00**	**$210.93**	**104**	**18.7**

% of total store volume . . . 0.72%

Sales top half-billion-dollar mark

Innovative packaging, the appearance of more fructose-sweetened products and increased competition among manufacturers propelled sales of dietetic, low-calorie and health foods to a 15.9% gain last year. Sales of these items totaled $534.2 million in 1979, the first time the category has broken the half-billion-dollar mark.

"We're on the upswing of a wave that hasn't peaked yet," says an official of Best Foods, a West Coast distributor of health foods whose sales rose more than 18% last year.

The American consumer's concern over health promises to provide continued strong support for growth for many products in this category. "If you don't think the country is concerned about weight control and health, just look at the sales of diet books like Dr. Pritikin's," the distributor says.

The role of Government is of increasing importance to this category, he adds. "The Government gives these items a boost by generating a lot of publicity that makes people health-conscious."

Dietetic foods are gaining wider acceptance from consumers. "People are discovering that diet foods appropriate for people on medically prescribed diets are also appropriate for people who are not diabetics or victims of hypertension, but who simply want to restrict the intake of salt, sugar and cholesterol," says an official at the Estee Corp., which markets low-calorie candy and gum, cookies, desserts, spreads and sugar substitutes.

At the same time, supermarkets are paying more attention to this category, which accounts for only 0.3% of supermarket sales. A number of chains that see the category's potential are publishing booklets and other dietetic guidelines for consumers who are watching their weight and seeking to restrict the intake of salt, sugar and cholesterol. Some supers flag dietetic items with special "lo-cal" signs, and most merchandise these items in their own special section.

Competition heated up last year in spreads and syrups, sauces and dressing and juice-packed canned fruits. More fructose-based formulations appeared.

Several manufacturers added fructose-sweetened spreads and syrups to their lines, while Del Monte and Libby introduced new "light" juice-packed fruits.

Low-sodium: Canned meat and fish with little or no added salt scored a gain of 70.1% last year.

Incidence of Purchase
(per 1,000 POS transactions)

Diet supplements	Unit sales	Dollar sales
1979	8	$7.35
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	−9	−5

*Rounded to nearest whole number

Source: TRIM Inc.

Total sales of these products reached $4.7 million. Although small, this is a subcategory with obvious growth potential, since it is part of the general trend toward greater consumer buying of low-sodium products.

A distributor reports beef stew, chili and beans and spaghetti and meat balls among the fastest moving low-sodium items. In poultry, chicken dumplings stand out as a popular item while in fish the leaders are canned tuna; salmon and sardines packed in soy oil, water or tomato sauce.

The trend toward low-sodium products is confirmed by the experience of Chicago Dietetic Supply Inc. "I guess 75% of our business is now in low-sodium items," a Chicago Dietetic official says.

Among drinks, low-sodium tomato juice is the fastest-moving item for this company. "We're also doing well with some low-sodium snack items. Low-sodium pretzels are especially hot. We have a cereal that is doing very well, too." Although Chicago Dietetic believes dietetic fruit drinks are selling better than ever, it has no plans to enter this market "because we can't compete on cost against a Dole or a Tillie Lewis."

The trend toward low-sodium products is also obvious in canned vegetables. "Consumers are going for low-sodium peas, beans, peas and carrots, tomatoes and asparagus," says an official of Diet Delight.

Diet supplements: Both liquid and powder supplements ran counter to the overall category trend and reported declining sales. Manufacturers say these products aren't getting the shelf space they need. This subcategory showed a sales dip of 15.7% last year.

Compartment meals: In dinners and lunches, Foodways National, maker of the Weight Watcher line, says consumers are trading down to one- and two-compartment meals. "There is a very evident swing away from three-compartment meals," a manager says. Price is part of the reason.

The three-compartment controlled-portion meals carry retail tickets with an average range of $2.29 to $2.69, compared with a range of $1.49 to $2.09 for the meals with one and two compartments. These smaller dinners now account for about 85% of total sales, with three compartment meals accounting for the other 15%.

Sweeteners, substitutes: In artificial sweeteners and sugar substitutes, "It's amazing but it is growing," according to Marvin Eisenstadt of Cumberland Packing, maker of Sweet N Low. This subcategory showed an increase in sales of 13.3% last year.

"People are growing more sophisticated, and we're getting better tests that suggest the FTC overfed saccharin to laboratory rats, causing cancer. Congress has extended the moratorium on saccharin until mid-1981. So I'm quite confident about the future for these products," he says.

A manager at Tillie Lewis adds, "If the consumer saw a danger, the sale of saccharin sweetener would go down and these items would be discontinued. That hasn't happened."

Improved package labeling is a help in this category, as more manufacturers are starting to realize. The diet-conscious shopper's demand for specific information is being met by more details and easier-to-find labeling. ☐

Dietetic & Low-Calorie Foods: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Supplements	7.63	$ 40.73	$ 48.30	– 15.66	7.05	$ 9.50	16	23.3
Liquid	4.40	23.50	27.60	– 14.85	3.80	5.12	10	21.8
Powdered	1.47	7.83	12.42	– 36.95	1.38	1.86	3	23.7
All Other Diet Supplements	1.76	9.40	8.28	13.53	1.87	2.52	3	26.8
Artificial Sweeteners & Sugar Substitutes	12.61	67.36	59.46	13.29	13.75	18.52	15	27.5
Salt Substitutes & Low Sodium Salt	1.17	6.27	5.52	13.59	1.27	1.71	3	27.2
Candy & Gum	1.47	7.83	6.90	13.48	1.42	1.91	4	24.4
Cookies & Crackers	6.16	32.90	30.36	8.37	6.72	9.05	4	27.5
Desserts & Toppings	3.52	18.80	17.94	4.79	3.14	4.23	8	22.5
Spreads & Syrups	7.92	42.30	49.68	– 14.85	6.97	9.39	9	22.2
Sauces & Dressings	10.56	56.40	48.30	16.77	10.39	13.99	14	24.8
Dinners [Not Supplements]	18.46	98.70	88.32	11.75	20.29	27.34	11	27.7
Fish & Meats	0.88	4.70	2.76	70.29	0.65	0.87	1	18.6
Vegetables	0.59	3.13	2.76	13.41	0.64	0.86	4	27.4
Fruits	9.09	48.56	40.02	21.34	8.22	11.07	16	22.8
Juices & Drinks	14.37	76.78	48.30	58.96	13.74	18.50	8	24.1
All Other Low-Calorie Products	5.57	29.77	12.42	139.69	5.75	7.74	6	26.0
Total	100.00	$534.23	$461.04	15.87	100.00	$134.68	119	25.2

% of total store volume . . . 0.34%

Salads, juices build record sales

Supermarket dairy department sales outpaced the rate of inflation in 1979, although a few star performers of yesteryear, notably yogurt and cheese, failed to match earlier performance. Total sales from the dairy department, as measured by *Chain Store Age Supermarkets*, increased 15.25% to a record $18.3 billion, up from $15.9 billion in 1978.

Refrigerated juices, drinks and salads were among the strongest performers, with margarine, cottage cheese and party snacks showing good growth. Refrigerated dough products bounced back from 1978's dismal performance and turned in an impressive record.

These products are doing well despite the ravages of inflation and recession in part because consumers, as health-conscious as ever, seek the convenience and quality offered by refrigerated dairy items. To the retailer concerned about the high cost of running refrigeration

Dairy Products: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Fluid Milk Products	27.77	$ 5,094.81	$ 4,705.80	8.27	24.89	$1,049.53	7	20.6
Yogurt	4.10	751.97	690.00	8.98	4.12	173.70	84	23.1
Eggs	14.43	2,647.57	2,401.20	10.26	9.36	394.49	11	14.9
Cheese	16.86	3,094.05	2,668.50	15.95	21.50	906.56	185	29.3
Ice Cream/Ice Milk	11.53	2,114.92	1,918.20	10.26	13.24	558.34	77	26.4
Margarine	6.97	1,278.35	1,031.70	23.91	7.55	318.31	43	24.9
Butter	4.61	845.97	772.80	9.47	3.43	144.66	11	17.1
Refrigerated Juices & Drinks	4.89	896.76	594.78	50.77	5.72	241.23	39	26.9
Refrigerated Dough Products	1.89	346.22	208.38	66.15	2.13	89.67	41	25.9
Refrigeratud Salads	0.09	17.23	8.28	108.09	0.16	6.82	3	39.6
Fish & Fish Snacks	0.47	86.16	66.24	30.07	0.65	27.49	19	31.9
Toppings	0.33	61.10	51.06	19.66	0.40	16.93	5	27.7
Pizza	0.01	1.57	0.00	0.00	0.01	0.43	1	27.2
Yeast	0.05	9.40	9.66	– 2.68	0.06	2.47	2	26.3
Party Snacks	0.59	107.99	63.48	70.12	0.75	31.64	39	29.3
Cottage Cheese	4.04	741.34	528.54	40.26	4.69	197.94	30	26.7
All Other Dairy Case Items	1.37	251.05	201.48	24.60	1.34	56.49	32	22.5
Total	100.00	$18,346.46	$15,920.10	15.24	100.00	$4,216.69	629	23.0

% of total store volume . . . 11.69%

Canned & Dry Milk: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Canned Milk	**46.29**	**$171.46**	**$151.80**	**12.95**	**37.50**	**$18.71**	**7**	**10.9**
Evaporated	37.64	139.43	125.58	11.03	27.10	13.52	6	9.7
Condensed	8.65	32.03	26.22	22.16	10.40	5.19	1	16.2
Dry Milk	**47.79**	**177.03**	**161.46**	**9.64**	**56.65**	**28.27**	**13**	**16.0**
Plain	45.25	167.63	154.56	8.46	52.39	26.15	12	15.6
Flavored	2.54	9.40	6.90	36.23	4.26	2.12	1	22.6
All Other Canned & Dry Milk	**5.92**	**21.93**	**15.18**	**44.47**	**5.85**	**2.92**	**3**	**13.3**
Total	**100.00**	**$370.42**	**$328.44**	**12.78**	**100.00**	**$49.91**	**23**	**13.5**

% of total store volume . . . 0.24%

units, this suggests the energy-intensive dairy case is more than pulling its weight.

Refrigerated salads posted the largest increase in the dairy department, up 108.1% on a dollar basis in 1979 over 1978. The jump was made on a small base, a mere $8.3 million in 1978 and $17.2 million last year.

In-store deli trend: One reason for the improvement is the trend toward in-store deli departments. "A lot of chains are adding delis, and where they don't want to pay for a service deli they add the deli on to the dairy. So we are seeing a rather dramatic increase in the sale of deli items such as sliced luncheon meats and prepared salads out of the dairy," says an official of the American Dairy Association.

Another factor behind the growth of the salad line is product diversity. "The old standby items were coleslaw, potato salad and macaroni salad. Now you have meat salads, specialty salads, ethnic salads. We carry 60 items," says Leonard Fink, sales manager of Sally Sherman Foods, Mount Vernon, N.Y. Prices haven't increased much, he maintains.

Refrigerated juices and drinks scored well again last year, increasing 50.8% on a dollar basis to a record $896.8 million in sales. It was the second year in a row this subcategory posted a gain of more than 50%, a sure sign that despite inflation/recession consumers are prepared to pay for fresh products that offer convenience and value.

Margarine and cottage cheese, with their strong appeal to weight-conscious consumers, posted gains of 23.9% and 40.3% respectively. The growth in margarine outdistanced butter, which scored a 9.5% gain. The trend in spreads was underlined when Beatrice Foods announced its Hotel Bar Butter would get a companion product derived from soybeans—Hotel Bar Margarine. (Land O'Lakes had already taken a similar step earlier.) The American Dairy association says another factor in the continuing growth of cottage cheese is improved production techniques resulting in "a standard quality that people can easily recognize."

Margarine, cottage cheese, party snacks also helped boost sales to $18 billion

Dough, ice cream set records: Trading up by consumers helped propel the refrigerated dough and ice cream lines to new sales records last year.

"People are going back to the good grades of ice cream, really high-priced ice creams that sell for $2 a quart. The reason is that weight-conscious consumers find they are satisfied with a single scoop of better ice creams," says an industry source. In refrigerated dough products, "We're finding that inflation is persuading consumers to buy the better-quality, higher-priced biscuits instead of the cheapest biscuits," says a leading manufacturer.

The dairy association says fluid milk products held their own or increased slightly last year. The *CSA Supermarkets* index shows an increase of 8.3%, below the rate of inflation. The dairy association replies that statistics which show declining fluid milk consumption are misleading if they are based, as many are, on butterfat content. A spokesman says, "As people consume more milk with butterfat content of 1% or 2% instead of the standard 3.25%, an index based on the standard butterfat content would show a decline when in fact there may have been an increase."

Yogurt and cheese leveled off somewhat last year. "Yogurt has been one of the fastest-moving products the last three to five years, but I suspect it is flattening out because it has reached most of the people you can reach," says a manufacturer. "We think the future is still bright, and yogurt will be a mainstay of the dairy department, but the days of very high growth may be passed."

"Last year was a real surprise for us," says a cheese manufacturer. "All through the 70's we were used to strong year-to-year growth, but 1979 was virtually a no-growth situation for processed cheese, while natural cheese went up 5% or 6%. The growth in natural cheeses was mostly in cheddar, Colby, Swiss."

Egg consumption continued a recovery last year, according to the American Egg Board. It hit a low of 271 eggs per capita in 1977, but with the help of a nationwide advertising campaign increased to 277 in 1978 and 282 in 1979. ☐

Giants fight for market share

Double, double toil and trouble/fire burn and cauldron bubble—Macbeth.

Shakespeare was right. The soup pot, both this year and last, has been a cauldron of competition as instant soup/lunch manufacturers in particular worked overtime to conjure up the brew that would win shelf space and customer loyalty.

Although the battle may not produce as many victims as one of Mr. Shakespeare's tragedies, survival will be costly. The principals here are among the giants of the industry: Nissen, Maruchan Inc., Sanwa Foods, Grand Imperial, Nestlé S.A., American-based General Mills, Kraft and Lipton. These companies and a host of regionals are battling in a market that has been relatively flat in the last year.

Dry soup and instant lunch sales made marginal gains in '79, although given the category's explosive three-year growth, that is hardly surprising. Sales moved ahead an average 4.56% last year for the combined dry/canned category.

"It's a real bloodbath in some regions," says Martha Rappaport of General Mills, Minneapolis, whose Mug-O-Lunch is knocking heads with Lipton's Lite Lunch and Nestlé's Cup of Noodles.

Part of the problem may be the product itself. Although the manufacturers are convinced the concept is still viable, no one seems to be completely satisfied with the actual items. Changes in serving size, packaging and even the noodles themselves are still in the offing.

Nestlé S.A., for instance, which developed the popular Soup Time, has the largest research and development budget in the business, according to a company spokesman. The Swiss conglomerate is spending a piece of that budget test-marketing its Lunchtime, a noodle-base one-serving product with varieties ranging from cheese with ham to chow mein.

"The ideas on this one are just unbelievable," says the spokesman, Mike Perry, "but the economy will have a lot to do with it, because the

Unit Movement

The following chart shows each canned & dry soup category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Dry Soup Mixes	161	7.11
Noodle	55	2.43
Onion	41	1.81
All Other	65	2.87
Boullion Cubes	45	1.99
Individual Dry Soup Mixes	127	5.61
Single-Strength Soups	263	11.61
Condensed Soups	1,667	73.68
Broths	84	3.71
Consomme & Boullion	30	1.33
Cream of Chicken	81	3.58
Chicken Gumbo	21	0.93
Chicken Noodles	242	10.69
Chicken Vegetable	29	1.28
Chicken With Rice, Stars, etc.	107	4.73
Tomato, Cream of Tomato, Tomato Bisque	236	10.43
Tomato Rice	17	0.75
Vegetable	97	4.29
Vegetable Beef	64	2.83
Vegetarian Vegetable	47	2.08
Minestrone	21	0.93
Bean All Types	32	1.41
Beef	27	1.19
Beef Noodle	16	0.71
Clam Chowder	49	2.17
Mushroom All Types	274	12.11
Pea	36	1.59
Turkey All Types	24	1.06
All Other Condensed Soups	133	5.88
Total	**2,263**	**100.00**

economy has a lot to do with convenience."

Because of the economy, consumers suddenly viewed some products as overpriced, forcing a quick reformation. "They did a hell of a job when they came into the market," says one critic, "but they had no repeat sales, because ounce for ounce they were way overpriced."

But competition has brought prices down, and retailers could have a field day with deals if the fire stays hot. Indeed, some manufacturers say that discount stores are jumping into the market as the deals become more attractive.

"The category has leveled off as far as its growth goes," says Chuck MacConnell of Grand Imperial, whose Take 5 was an early entry into the market. "From here on in it could be all out war, because what space is there is all there's going to be."

Regional makers join the fray as market flattens after three years of strong growth

Condensed drops: The condensed soup market is still spelled C-a-m-p-b-e-l-l-'s, and that company is the first to acknowledge that soup sales have been less than glimmering over the last nine months.

"Consumers aren't spending as much of their disposable incomes on food," financial vice president Richard Censits recently explained to stockholders, "and stores have reduced the amount of inventory that they have warehoused."

The inventory situation probably hurts Campbell's more than others, given the depth of the company's product line.

But at the same time, the company is confident that the category will not slack off like other products. "As the recession continues," Censits said, "we would expect that a product such as soup would be somewhat recession-proof."

Perhaps the most recession-proof has been the single-strength soups such as Campbell's Chunky Soup. Those varieties registered a 10.82% increase, outdistancing the 3.01% gain made by condensed soups. ☐

Canned/Dry Soup: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Soup Mixes	**12.76**	**$ 207.10**	**$ 200.30**	**3.39**	**14.95**	**$ 47.46**	**24**	**22.9**
Noodle	4.97	80.73	77.72	3.87	5.82	18.49	7	22.9
Onion	3.93	63.77	61.09	4.39	4.10	13.01	3	20.4
All Other	3.86	62.60	61.49	1.81	5.03	15.96	14	25.5
Bouillon Cubes	**1.83**	**29.77**	**24.84**	**19.85**	**2.48**	**7.86**	**12**	**26.4**
Individual Dry Soup Mixes	**6.73**	**109.30**	**100.74**	**8.50**	**8.26**	**26.23**	**21**	**24.0**
Single-Strength Soups	**11.87**	**192.69**	**173.88**	**10.82**	**12.79**	**40.66**	**23**	**21.1**
Condensed Soups	**66.81**	**1,084.76**	**1,053.04**	**3.01**	**61.52**	**195.24**	**64**	**18.0**
Broths	3.66	59.47	58.98	0.83	3.84	12.19	5	20.5
Consomme & Bouillon	1.29	20.97	19.66	6.66	1.51	4.78	2	22.8
Cream of Chicken	3.68	59.77	58.67	1.87	3.54	11.24	2	18.8
Chicken Gumbo	1.56	25.40	23.28	9.11	1.63	5.18	1	20.4
Chicken Noodles	7.90	128.33	120.04	6.91	6.59	20.92	5	16.3
Chicken Vegetable	1.36	22.10	21.04	5.04	1.39	4.40	2	19.9
Chicken w/Rice, Stars, etc.	7.19	116.73	111.40	4.78	6.03	19.14	4	16.4
Tomato, Cream of Tomato Tomato Bisque	7.51	121.93	120.72	1.00	4.69	14.88	3	12.2
Tomato Rice	1.19	19.27	20.52	– 6.08	1.30	4.12	1	21.4
Vegetable	3.94	63.90	57.60	10.94	3.50	11.12	5	17.4
Vegetable Beef	3.68	59.77	59.33	0.74	3.35	10.64	2	17.8
Vegetarian Vegetable	1.58	25.67	26.14	– 1.79	1.33	4.24	2	16.5
Minestrone	1.01	16.40	15.79	3.86	1.12	3.54	1	21.6
Bean—All Types	1.48	24.10	23.90	0.84	1.68	5.33	2	22.1
Beef	1.55	25.10	24.63	1.91	1.64	5.20	2	20.7
Beef Noodle	1.10	17.83	16.90	5.50	1.22	3.87	2	21.7
Clam Chowder	2.84	46.03	47.60	– 3.29	3.09	9.80	4	21.3
Mushroom—All Types	6.64	107.83	106.94	0.83	5.84	18.55	5	17.2
Pea	1.68	27.23	25.18	8.14	1.87	5.94	1	21.8
Turkey—All Types	1.07	17.40	17.10	1.75	1.07	3.39	2	19.5
All Other Condensed Soups	4.90	79.53	77.62	2.46	5.29	16.78	11	21.1
Total	**100.00**	**$1,623.62**	**$1,552.80**	**4.56**	**100.00**	**$317.45**	**144**	**19.6**

% of total store volume . . . 1.03%

Frozen food sales cool

Gathering thunderheads are threatening to put a serious damper on the 50th anniversary celebration of the invention of frozen foods. Although frozens shattered the $10 billion sales barrier for the first time last year, rising 9.8% to approximately $10.2 billion, it doesn't take a genius to see that all is not well.

Although some subcategories, notably prepared foods and frozen vegetables, performed well last year, weak spots became all too apparent in traditionally strong segments such as frozen juice, potatoes and bakery. While it is considered likely that these lines will resume normal growth in 1980, there's no guarantee that the nation's recession/inflation won't trigger a serious slide similar to the one that occurred during the mid-1970's.

"We used to believe that frozen foods were invulnerable," admits an official of an industry trade group. "Frozen food manufacturers learned differently when sales of baked goods and similar products nosedived about five years ago." Suppliers appear more savvy about the need to maintain key price points in sensitive subcategories like frozen baked goods. For example, although frozen pies experienced a price increase of over 13% in 1979, suppliers still managed to keep the retail tag under the magic $1 figure that could spur a consumer turn-off.

Perhaps of even greater importance, most frozen food processors stand ready to put more muscle behind product promotion at the first sign of unit movement slippage. Actually, the 50th anniversary celebration itself, scheduled to continue throughout 1980, is providing potent help in staving off any serious decline in tonnage. Not only are most suppliers allocating extra funds for special promotions, but collateral editorial sparked by the publicity the event has generated is doing much to remind shoppers of the quality and value of frozen foods.

Display space expands: Although the smaller-than-usual sales increase in 1979 must be cause for concern, retailers' outlook is still obviously bullish for the long term. The ongoing trend toward larger

Incidence of Purchase
(per 1,000 POS transactions)

Frozen juices	Unit sales	Dollar sales
1979	186	$123.90
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	+2	+10

*Rounded to nearest whole number

Source: TRIM Inc.

supermarket frozen food departments remained in force in 1979, with the average section increasing nearly 7%, up to 309 linear feet in food stores doing $500,000 or more annually.

As would be expected, superstores offer a much larger selection of frozen food items. Stores of more than 25,000-sq.-ft. field frozen departments measuring 433 linear feet. Breaking out some of the major categories: vegetables, 72 ft.; poultry, 34 ft.; entrees, 49 ft.; dinners, 49 ft.; fish and seafood, 42 ft., and pizza, 28 ft.

Although retailers are still attempting to find the proper balance between energy-saving and impulse sales appeal when it comes to cabinets, 1979 furnished further evidence of a move toward multideck cases and away from single-decks. While 80% of all supermarkets had some straight cabinets in 1976, this dropped to 71% last year. Over the same period of time, the use of multidecks, especially the glass door variety, proliferated. Only 69% had such equipment in 1976, but today the figure is 79%.

Juices mixed: Sales of frozen concentrated orange juice dove 16% last year, but a bounce-back is likely. The biggest problem is the competition from other forms of juice, principally refrigerated packed in glass, and from mixes and ades.

Coca-Cola Foods is crowing about its hot new frozen juice item, Five Alive. This blend of orange, grape-

Frozen Foods: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Prepared Frozen Foods	**16.84**	**$ 1,712.83**	**$1,483.50**	**15.46**	**17.27**	**$ 497.40**	**182**	**29.0**
Dinners/Lunches/Breakfasts	5.34	543.17	452.64	20.00	5.28	152.09	75	28.0
Pizza	5.70	579.88	527.16	10.00	6.08	175.12	34	30.2
Meat Pies	1.78	180.75	162.84	11.00	1.72	49.53	14	27.4
Other Prepared Frozen Foods	4.02	409.03	340.86	20.00	4.19	120.66	59	29.5
Entrees	**19.44**	**1,976.64**	**1,706.81**	**15.93**	**19.62**	**565.49**	**165**	**28.6**
Breakfast Entrees	4.65	473.12	326.66	44.84	4.76	137.20	28	29.0
Prepared Fish Entrees	5.79	589.05	483.10	21.93	5.99	172.59	53	29.3
Prepared Meat Entrees	5.40	549.88	593.40	– 7.32	5.28	152.32	56	27.7
Prepared Poultry Entrees	3.60	366.59	303.65	20.73	3.59	103.38	28	28.2
Meat Unprepared	**2.00**	**203.66**	**331.20**	**– 38.50**	**2.06**	**59.47**	**19**	**29.2**
Poultry Unprepared	**5.93**	**603.14**	**535.44**	**12.64**	**4.39**	**126.66**	**57**	**21.0**
Seafood Unprepared	**2.50**	**254.47**	**291.18**	**– 12.60**	**2.63**	**75.91**	**25**	**29.8**
Fish	1.34	136.34	143.52	– 4.99	1.43	41.18	14	30.2
Shellfish	1.16	118.13	147.66	– 19.99	1.20	34.73	11	29.4
Soups	**0.08**	**7.83**	**2.76**	**183.70**	**0.08**	**2.30**	**3**	**29.4**
Potato & Onion Products	**4.08**	**414.89**	**465.06**	**– 10.78**	**4.46**	**128.66**	**39**	**31.0**
French Fried Potatoes	2.51	255.36	289.80	– 11.87	2.74	78.91	18	30.9
All Other Potatoes	1.22	123.76	139.38	– 11.20	1.35	38.98	16	31.5
Onions	0.35	35.77	35.88	– 0.30	0.37	10.77	5	30.1
Vegetables	**16.62**	**1,693.50**	**1,424.16**	**18.91**	**17.46**	**502.97**	**188**	**29.7**
Special	5.53	562.41	492.66	14.16	5.80	167.04	79	29.7
Regular	11.09	1,131.09	931.50	21.43	11.66	335.93	109	29.7
Fruits & Berries	**3.08**	**313.32**	**132.48**	**136.50**	**2.78**	**80.21**	**16**	**25.6**
Juices & Drinks	**14.82**	**1,506.45**	**1,622.88**	**– 7.16**	**13.81**	**398.05**	**49**	**26.4**
Orange	10.79	1,097.56	1,306.86	– 16.01	9.79	282.07	16	25.7
Grape	0.79	79.90	73.14	9.24	0.77	22.21	5	27.8
Lemon/Lime/Orangeades	1.68	170.76	144.90	17.85	1.69	48.67	14	28.5
Apple/Cider	0.87	88.51	50.81	74.20	0.87	25.06	7	29.0
All Other Juices & Drinks	0.69	69.72	47.17	47.81	0.69	20.04	7	28.7
Bakery Products	**11.21**	**1,138.93**	**1,043.28**	**9.17**	**11.87**	**342.32**	**150**	**30.1**
Bread & Bread Products	2.16	219.33	126.96	72.76	2.35	67.77	27	30.9
Pies—All Types	3.33	338.39	285.66	18.46	3.63	104.56	43	30.9
Cakes	3.22	327.42	295.32	10.87	3.19	92.01	45	28.1
Donuts & Rolls	1.22	123.76	120.06	3.08	1.36	39.23	15	31.7
All Other Bakery Items	1.28	130.03	215.28	– 39.59	1.34	38.75	20	29.8
Whipped Toppings	**1.57**	**159.79**	**60.72**	**163.16**	**1.55**	**44.74**	**5**	**28.0**
All Other Frozen Foods	**1.83**	**186.62**	**168.36**	**10.85**	**2.02**	**58.23**	**25**	**31.2**
Total	**100.00**	**$10,174.07**	**$9,267.83**	**9.78**	**100.00**	**$2,882.40**	**923**	**28.3**

% of total store volume . . . 6.48%

fruit, lemon, lime and tangerine juices tested well in St. Louis, Indianapolis and Seattle and is now rolling out nationally.

Frozen ades marked time in 1979. Sales volume rose thanks to the higher prices caused by the California lemon freeze, but unit movement gained only slightly. Regular lemonade represents 70% of frozen ade business in supermarkets, while pink lemonade holds a 20% share and limeade accounts for the rest. This closely parallels lemonade's dominance of the powdered mix category. A spokesman for a leading frozen ade maker points to the fact that lemonade has "an adult connotation not shared by some of the other juices and ades" as the main reason for the flavor's sales supremacy.

Prepared items forge ahead: Led by a whopping 20% sales increase for dinners, lunches and breakfasts, the prepared foods subcategory chalked up a 15.5% jump in sales to $1.7 billion. A big contributor to the across-the-board advance was the continued strength of frozen meat pies. So-called experts have sung dirges for meat pies more than once in the last decade, but that hasn't kept meat pies from remaining steady sellers, racking up double-digit sales increases.

Processors of frozen prepared foods are taking decisive steps to head off a major challenge to future sales growth—the burgeoning popularity of the microwave oven. Now found in 10% of the nation's kitchens, these space-age cooking devices will be used by one family in five within the next five years.

The problem: Aluminum foil trays, long standard packaging for frozen dinners, can't be used in a microwave oven. Although putting microwave cooking instructions and recipes on packages is certainly one way to cater to this emerging market segment, the real answer to the problem is a switch to packaging compatible with all types of cooking devices.

Green Giant, Mrs. Paul's and Banquet Foods are among the companies that have already switched to paperboard trays for this reason. Making the biggest splash in 1979, however, was the Swanson division of Campbell Soup Co. Besides establishing the Microwave Information Center at its Camden, N.J., headquarters, Swanson has introduced Main Course entrees in microwave-compatible trays. The six-item line includes macaroni and cheese, turkey with gravy and dressing, lasagne with meat, steak and green peppers, Salisbury steak and chicken in white wine sauce. Additionally, Swanson has put three breakfast items—scrambled eggs and sausage with hash browns, French toast with sausage and pancakes with sausage—and an "economy" line of multicourse dinners in similar paperboard trays.

Ethnic market builds: Frozen food items based on foreign specialties continue to score well in the supermarket. Italian is still the most popular, with 50% of the ethnic frozen food movement, but Mexican is coming up fast and now has 30% of the business. Sales of Mexican items are still relatively weak in the Northeast, a trend RJR hopes to reverse with its recently marketed trio of Patio Mexican dishes.

Kosher foods, as might be expected, are strongest in New York City and other metropolitan areas with a significant Jewish population. Moslems, who practice similar dietary laws, are also a good market, though companies like Empire are trying to widen the audience for their products to include those to whom "kosher" simply denotes high

Unit Movement

The following chart shows each frozen foods category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Prepared Frozen Foods	**1,476**	**14.53**
Dinners, Lunches, Breakfasts	536	5.28
Pizza	296	2.91
Meat Pies	334	3.29
Other Prepared Frozen Foods	310	3.05
Entrees	**1,275**	**12.55**
Breakfast Entrees	245	2.41
Prepared Fish Entrees	258	2.54
Prepared Meat Entrees	541	5.33
Prepared Poultry Entrees	231	2.27
Meat Unprepared	**49**	**0.48**
Poultry Unprepared	**903**	**8.89**
Seafood Unprepared	**70**	**0.69**
Fish	44	0.43
Shellfish	26	0.26
Soups	**4**	**0.04**
Potato & Onion Products	**455**	**4.49**
French Fried Potatoes	282	2.78
All Other Potatoes	142	1.40
Onions	31	0.31
Vegetables	**2,149**	**21.14**
Special	564	5.55
Regular	1,585	15.59
Fruits & Berries	**267**	**2.63**
Juices & Drinks	**2,203**	**21.68**
Orange	1,478	14.55
Grape	100	0.98
Lemon-, Lime-, Orangeades	380	3.74
All Other Juices & Drinks	245	2.41
Bakery Products	**809**	**7.97**
Bread & Bread Products	198	1.95
Pies All Types	211	2.08
Cakes	205	2.02
Donuts & Rolls	107	1.05
All Other Bakery Items	88	0.87
Whipped Toppings	**176**	**1.73**
All Other Frozen Foods	**323**	**3.18**
Total	**10,159**	**100.00**

quality in food products.

Fried chicken sizzles: Recognized as a formidable weapon against the fast food challenge by many retailers, fried chicken sales continued to outpace the rest of the category last year, achieving a sales jump of 21%.

"It is difficult to be over-optimistic about the future of frozen prepared chicken," says a spokesman for Banquet Foods, the leading brand. "The dynamics of the market, primarily the increasing cost of red meat, favor frozen fried chicken sales growth."

Frozen desserts rebound: Mini-pies have had a roller coaster history since their initial introduction in 1975. The 5-inchers got off to a fast start, but volume slumped badly in 1977-78. Now single-serving desserts are once again a hot item.

Morton Frozen Foods, the market share kingpin, gets much of the credit for the comeback. To overcome what the company perceived as "flavor fatigue"—consumers simply got tired of the limited selection—it has created a 14-item line of Great Little Desserts. These products, which include fruit pies, cream pies and no fewer than four mini-cheesecakes, have revitalized the sagging subcategory and sent sales soaring.

Coming up fast in the frozen sweet goods segment is Ore-Ida's Mrs. Goodcookie frozen cookies. Offered in five varieties, the 1-lb. preportioned cookies are reportedly a smash hit in every market in which they are distributed. The line has already seized 5% of total frozen sweet goods business in supermarkets, and the chocolate chip variety is said to be the best single seller in this segment of the category.

Fish items score well: The twin hallmarks of the frozen fish and seafood business for the last five years are product proliferation and rising quality. This is especially true of the newer battered prepared fish items, which generally use cod, whiting or haddock rather than pollock.

Among the important new items in 1979:

- Gorton's "Extra-Crunchy" prepared items.
- Booth Fisheries' Beer and Buttermilk batter variations.
- Van de Kamp's Country Seasoned line, which uses herbs, spices and Japanese bread crumbs.

Frozen food forecast: Rich Products, Buffalo, has patented a new soft freezing process that promises great things for the future. Freeze Flor binds water to other natural substances, such as sugar, in a product, preventing crystallization. The lack of free moisture prevents bacteria formation and improves shelf life.

The process makes possible things like pourable frozen drinks and desserts that are ready to eat practically right out of the frozen food case with no thawing time. Rich is already marketing items made using this process and will be licensing it to other manufacturers as well. This boost in convenience will make frozen foods better equipped to withstand the possible battle for consumer dollars with shelf-stable methods of product preservation, such as the much-discussed retort pouch. ☐

Incidence of Purchase
(per 1,000 POS transactions)

Frozen entrees	Unit sales	Dollar sales
1979	26	$24.65
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+4	+7

Source: TRIM Inc.

Coffee perks up; tea bags top sales

Some unexpected things happened in the coffee category last year: Not only did supermarket sales increase an inflation-beating 14.5%, but per capita consumption also rose, if only slightly, for the first time in recent memory.

Coffee dollar volume reached $3.9 billion last year, up from 1978's total of $3.4 billion. Ground sales, still responding to the advent of easy-to-use drip coffeemakers like Mr. Coffee and Melitta, increased at a faster pace than instant, 16.0% to 13.9%, and claims nearly 60% of coffee category volume.

In truth, the post-World War II era has not been kind to coffee. A combination of adverse circumstances—the rising popularity of other beverages, changes in the American lifestyle and worry about possible effects of caffeine on health—conspired to cut the typical java-lover's ration from three cups a day 15 years ago to two cups today. Consumption in 1979, 10.8 lb. per person, is just 69% of what it was in 1957, and despite last year's pause, most analysts believe that the slide will resume in 1980.

The main problem is that—so far at least—coffee manufacturers have not successfully appealed to members of the "baby boom" generation. These people are now in their 20's and 30's, and much more likely to reach for a soft drink rather than a cup of coffee to slake their thirst.

Some observers grumble that the coffee producers spend too many of their promotional dollars fighting for the allegiance of older folks already numbered among the ranks of coffee drinkers instead of aggressively luring younger people. General Foods, whose Maxwell House now trails Procter & Gamble's Folger's in share-of-market 22.3% to 27.3%, may be taking the first tentative steps in a new direction with its recently initiated ad campaign. Cora's general store is closed, at least for a while, and Maxwell House commercials now consist of a series of vignettes in which coffee drinkers of all ages are shown enjoying a fresh cup.

Will economy blends fade? Two recent price drops of 10¢ each by

Tea: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of [illegible]	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Tea Bags	**54.09**	**$352.49**	**$302.22**	**16.63**	**48.88**	**$ 73.98**	**26**	**21.0**
16-Count	5.79	34.47	27.60	24.89	7.20	9.38	8	27.2
48-Count	9.74	57.96	57.96	0.00	8.73	11.36	3	19.6
100-Count	31.84	189.56	153.18	23.75	23.45	30.52	5	16.1
All Other Tea Bag Counts	5.79	34.47	26.22	31.46	5.69	7.41	3	21.5
Loose/Bulk Tea	**6.84**	**40.73**	**30.36**	**34.16**	**7.92**	**10.31**	**4**	**25.3**
Instant & Liquid Tea	**40.00**	**238.12**	**176.64**	**34.81**	**47.01**	**61.20**	**22**	**25.7**
Total	**100.00**	**$595.31**	**$471.96**	**26.14**	**100.00**	**$130.17**	**45**	**21.9**

% of total store volume . . . 0.38%

major roasters underline the problems facing the "economy" coffees introduced back in 1977 when retails threatened to go through the roof. While some sources peg these budget-stretcher brands at 8% of sales, *Chain Store Age Supermarkets* research estimates that 5% of the ground coffee total is probably closer to the truth.

These coffees, sold in 13-oz. and 26-oz. packages that are said to be equivalent to, respectively, 1-lb. and 2-lb. cans of regular coffee, just haven't burned up the track. "I don't think we've done as well as we'd hoped," acknowledges a spokesman for one of the companies offering economy coffee, "but then, the whole coffee business hasn't done so well lately."

P&G's Folger's Flaked is the only brand in full national distribution and has about 60% of the $100 million market. General Foods is still testing Maxwell House Master Blend in five cities, while Coca-Cola Foods markets Maryland Club in five southern and southwestern states and Butter-Nut Extra Measure in 10 midwest states. Hills Brothers High Yield is also in the stores, but seems plagued by the same problems that have cut market share for the company's regular ground to 6.6% and instant to 0.2%.

Tea time: Tea makers, unlike their coffee cousins, are enjoying a bullish market for their beverage. Sales rose 26.1% in 1979 to $595.3 million, thanks to double-digit sales gains in every subcategory except 48-count tea bags.

The public's newfound interest in specialty and herbal teas does wonders for the supermarket's bottom line. Retailers accustomed to cutting a 25% margin on regular tea now get 30%—based on double the selling price—with these upscale items. Less reliance on specialing 100-count tea bags promotes more shopping of the whole tea department, retailers find, since such promotions are usually done from end-aisle displays. Today's more sophisticated tea drinkers are much more likely to browse the whole tea section, instead of just shopping for the special, and they're buying enough to encourage many supermarketers to double the department's size to 8 ft.

Twinings, a long-respected name in tea, is cracking the supermarket in a big way with self-shippers, while Bigelow continues to rack up impressive performance with favorites like its Constant Comment. Celestial Seasons, the pioneer in the herbal tea field, still holds sway despite attempts by other companies to get into the act.

The larger manufacturers haven't been entirely successful in appealing to the fast-growing specialty tea market, but Lipton and General Foods are both trying hard. ☐

Coffee: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Specialty Coffees	**1.58**	**$ 61.10**	**$ 62.10**	**– 1.60**	**2.72**	**$ 10.94**	**7**	**17.9**
Ground & Whole Bean Coffee	**57.40**	**2,216.75**	**1,911.30**	**15.98**	**41.00**	**164.74**	**46**	**7.4**
Drip	17.07	659.54	564.42	16.85	11.16	44.85	11	6.8
Fine	1.91	73.63	74.52	– 1.18	1.04	4.20	2	5.7
Regular	13.75	531.08	467.82	13.52	9.65	38.77	12	7.3
Electric Percolator	10.83	418.28	382.26	9.42	6.77	27.19	9	6.5
All-Purpose	6.13	236.56	164.22	44.05	4.83	19.40	5	8.2
Decaffeinated Ground/ Whole Bean Coffee	4.95	191.13	160.08	19.40	5.14	20.64	4	10.8
Flaked Coffee	2.76	106.53	97.98	8.73	2.41	9.69	3	9.1
Coffee Creamers [Powdered]	**3.74**	**144.13**	**120.06**	**20.05**	**7.93**	**31.88**	**10**	**22.1**
3 oz.-8 oz.	0.41	15.67	13.80	13.55	0.89	3.57	1	22.8
9 oz.-13 oz.	0.61	23.50	22.08	6.43	1.40	5.64	2	24.0
Over 13 ozs.	2.72	104.96	84.18	24.69	5.64	22.67	7	21.6
Instant Coffee	**24.75**	**955.62**	**839.04**	**13.89**	**30.85**	**123.96**	**27**	**13.0**
2 oz.	1.62	62.66	53.82	16.43	2.67	10.71	3	17.1
4 oz.	1.18	45.43	53.82	– 15.58	1.81	7.27	3	16.0
6 oz.	4.18	161.36	135.24	19.31	5.46	21.95	4	13.6
8 oz.	1.87	72.06	70.38	2.39	3.08	12.39	3	17.2
10-16 oz.	8.40	324.29	280.14	15.76	8.07	32.43	5	10.0
All Other Sizes of Instant Coffee	0.24	9.40	2.76	240.58	0.41	1.64	2	17.4
Decaffeinated Instant Coffee	7.26	280.42	242.88	15.46	9.35	37.58	7	13.4
Freeze-Dried Coffee	**11.60**	**448.05**	**402.96**	**11.19**	**13.69**	**55.03**	**10**	**12.3**
Regular—All Sizes	7.38	285.12	274.62	3.82	8.87	35.64	5	12.5
Decaffeinated—All Sizes	4.22	162.93	128.34	26.95	4.82	19.39	5	11.9
Coffee Filters	**0.93**	**36.03**	**37.26**	**– 3.29**	**3.81**	**15.31**	**7**	**42.5**
Total	**100.00**	**$3,861.66**	**$3,372.72**	**14.50**	**100.00**	**$401.86**	**107**	**10.4**

% of total store volume . . . 2.46%

Promos return snacks to limelight

While supermarket sales of snack foods last year slackened from 1978's torrid pace, bursts of feverish promotional activity succeeded in hoisting dollar volume over the $2 billion mark.

Suppliers, buoyed by the dynamic performance of Mexican-style chips in recent years, unwrapped a variety of line extensions and product imitations and watched the corn-tortilla chip market climb more than 17%.

Even pretzels, weakened lately by the public's growing concern over sodium intake, bounced back to score its biggest year-to-year gain in nearly a decade.

Popcorn, though, notched the most impressive upswing. Dollar volume for this $46 million category has literally doubled over the past 24 months. "Popcorn has finally shed the stigma that it's fattening," says Jim Fowler, marketing manager for American Popcorn Co. "The product's now being looked at as a nutritional snack."

This rosy outlook is being taken with more than a grain of salt by most of the nation's other snack manufacturers, who have fought an uphill battle to undo the damage inflicted by the "junk food" accusers.

Suppliers, to their credit, have displayed remarkable skill, keeping sales on a steady forward track through aggressive promotions and in-store displays. The fact that unit movement, rooted in a stationary position through the mid- to late 70's, advanced modestly last year is an indication that the public's negativism toward the category may be fading.

Yet all the hurly-burly of activity hides a gnawing frustration among suppliers, who feel that retailers can dramatically improve profitability by treating snacks as a profit center, not as a draw.

"Take the Northwest, for instance," says David McDonald, president of the Nally's division of Curtice-Burns Inc. "They [supermarkets] had been placing a strong emphasis on private label, to a point where it accounted for roughly 38% of market share. The price was right, but the only problem was that gross margins hovered around 9%, virtually eliminating profits."

Manufacturers were successful in convincing Northwestern retailers to allocate more shelf space to name brands, which offer substantially higher gross margins. The result? Snack sections there continue to draw shoppers, but now they bring in profits as well.

McDonald's example, of course, lends ideal support to the profit-center theory. But there's another element that may prompt retailers to start rolling the red carpet down the snack foods aisle: the economic crunch.

With the economy on the downslide and inflation still running rampant, gross margins and turnover have never been more important. Snacks, when properly mixed and positioned, lead most categories in both areas with a 27.2 gross margin and a turn rate as high as once every six days.

A Frito-Lay marketer takes it a step further: "Snacks are 'expandable' items. Unlike toilet paper or light bulbs, for instance, they're exhausted immediately. In other words, the more that's purchased, the faster it's consumed—and the sooner the shopper returns to the store."

That's the major reason retailers are placing more emphasis on larger packages, particularly twin-packs and family-size. A more subtle reason is that price increases have a stronger impact on smaller packages.

Range widens: One of the worst casualties of higher retail prices is the potato chip market. While it's still the category mainstay with roughly 50% of the section's sales, pallid tonnage gains in recent years have sent numerous manufacturers scurrying to broaden their snack lines.

Consider Wise, the Borden-owned company deeply rooted in the East. "Wise has historically relied on potato chips for the bulk of its sales," says Vincent Barion, vice president of marketing. "But lately our efforts have been directed at expanding the snack line."

The company's strategy is nearly foolproof: Acquire firmly established regional brands and gradually phase in the Wise label.

In a bid to capitalize on the booming corn-tortilla chip market, Borden rolled its Bravo brand out last April. Currently, the company is breaking with the first tortilla chip with sesame seeds, an extension of the Bravos line.

But the real winner in the corn and tortilla chip area is Frito Lay, estimated to hold nearly 80% of the $557 million category. Its newest entry is Tostitos, which went national in '79 and quickly began breaking every Frito-Lay record for new product sales.

New twist: Long a stepchild to the snack category, the growing popularity of seasoned products has propelled pork rinds into the spotlight. In fact, several suppliers and private labelers report that in certain parts of the country pork rinds are the second-fastest-selling item (behind potato chips) sold in single packages.

One estimate puts the pork rind market for last year at $130 million, and its future growth rate is projected to be about 10% a year over the next five years.

Hail to the poppers: Orville Redenbacher may be credited with reviving the craze for popcorn, but hot air poppers are taking the bows for sustaining the dynamic sales surge. "Popcorn poppers are one of the hottest kitchen appliances in the market today," says Jim Fowler of American Popcorn.

After Hunt-Wesson took the market by storm in '78 with its Redenbacher gourmet popcorn entry, industry observers anticipated only moderate growth last year. But the advent of the poppers, supported by extensive TV and print advertising, sent popcorn sales soaring at a 27% clip and kept suppliers scrambling to stay abreast of demand. Retailers in the Midwest report that a new gourmet corn designed to compete with Hunt-Wesson's, Jolly Time Premium Popcorn, is rapidly moving off their shelves.

While manufacturers see the boom continuing, they say that a temporary slowdown may occur this summer—but only because of a shortage of the kernel and its slow maturation rate.

On the down side: Despite persistent efforts by Procter & Gamble to reverse the steady erosion of its Pringle's market, the fabricated chip continues to plunge. "Retailers prefer them because the cannister package is much more practical," says one supermarket merchandiser. "But that's little consolation for a terminally ill product."

The fall of Pringle's has had a devastating effect on a number of "me-too" brands. Planters, for instance, is phasing its chip-in-a-cannister out of the market. "We simply see no future for stackable potato chips," says Bob Truckenbrod, director of marketing for Standard Brands-owned Planters.

What's ahead: The consensus is that 1980 will be a quiet year in terms of new products, with the possible exception of the corn-tortilla chip area. "With the economy the way it is now, the industry's less likely to take a risk with a new introduction," Nally's McDonald feels.

One real concern is the rising costs of distribution, particularly fuel. While the store-door delivery system remains the most viable method, chippers say they'll devote more attention to improving the system's efficiency.

Much, too, depends on the current crop yield. Indications of a potato shortage is a worrisome sign for manufacturers. Past experience, though, shows that snack sales are affected less by nature than the mood of consumers.

The Potato Chip Institute's unrelenting drive to promote the nutritional value of snacks is credited with diluting the junk food stigma.

But the most dramatic expectation is the move by major suppliers to eat up the firmly planted regionals. "There's little doubt that we are going to see a consolidation of the snack food industry," says McDonald. "The field will be marked by fewer independents. ☐

Incidence of Purchase
(per 1,000 POS transactions)

Potato chips	Unit sales	Dollar sales
1979	47	$40.77
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	−6	+3

*Rounded to nearest whole number

Source: TRIM Inc.

Snacks: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Snacks	100.00	$2,053.44	$1,835.71	11.86	100.00	$559.36	45	27.2
Potato Chips	55.08	1,130.80	1,009.25	12.04	49.93	279.31	6	24.7
Fabricated Snacks	4.66	95.73	110.10	−13.04	4.42	24.70	6	25.8
Corn-Tortilla Chips	26.19	537.77	458.85	17.20	31.05	173.70	6	32.3
Pretzels	8.86	181.99	165.19	10.17	8.69	48.59	4	26.7
Popcorn	2.26	46.48	36.70	26.65	2.45	13.71	3	29.5
All Other	2.95	60.67	55.62	9.08	3.46	19.35	20	31.9
Total	100.00	$2,053.44	$1,835.71	11.86	100.00	$559.36	45	27.2

% of total store volume . . . 1.31%

Pets get first-class treatment

Television viewers who wondered whether Scruffy the terrier or Boomer the mutt would fetch the coveted Patsy award—the animal kingdom's version of the Oscar—are among the millions of pet-loving shoppers who pushed pet food and supplies sales to record highs in 1979.

Supermarkets captured over $3.2 billion for pet products, up about 6% over 1978. Dog food dollars totaled almost $1.7 billion in 1979; cat food approached that level with sales of about $1 billion.

A move to better-quality, higher-priced food and nonfoods, coupled with a high inflation rate, caused dollar volume to mushroom.

Across the board, premium lines outpaced lower-quality brands in both dollars and tonnage as more knowledgeable consumers chose nutritionally balanced foods from among both dry and canned subcategories. Price became a factor in shoppers' buying decisions only when quality levels were equal.

Dry dog food led the category, accounting for $764.50 million, up over 12% from 1978. Industry figures indicate tonnage increases at a 2½% rate for all dog food; dry climbed slightly more than that. Generic dry food also rose in 1979.

According to an official at a leading pet food firm, "The dry category has shown strong gains for a long period of time because people continue to recognize it as a fully balanced, nutritionally complete, convenient, less costly dog food."

Al Wisneski, national sales director, Kal Kan Foods, attributes the dry food increases to the fact that "People who bought low-priced cans may have switched to even lower-priced dry."

While dry dog food sales and tonnage climbed, canned products marked time. Overall canned dog food dropped 0.04%, with the major drop coming in the over-1-lb. cans segment, which fell about 15%.

Closer scrutiny shows that while the entire category's volume was off, maintenance lines declined at an increasing rate, but premium brands showed a positive trend.

A spokesman for Allen Products, makers of Alpo, believes that "People discovered that the price difference between maintenance and premium brands like Alpo just

Incidence of Purchase
(per 1,000 POS transactions)

Cat food, canned	Unit sales	Dollar sales
1979	159	$44.53
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+4	+11

Source: TRIM Inc.

wasn't that great. So they paid the extra pennies and chose the premium brands."

Another industry source claims that price- and nutrition-conscious pet owners began to supplement lower-cost daily feedings of dry food with two or three days' premium canned meals.

A major market audit firm's figures support these claims. Canned dog food enjoyed a 43% market share in 1972, but by 1979 the share had slipped to 29%. In 1972, specialty, or premium, items accounted for about 40% of the canned dog food, but by 1979 it represented 55%. On the other hand, maintenance, or lower-cost, lesser-quality, products plummeted from 58% of canned food sales in 1972 to 30% by 1979. Sources report these trends continuing into 1980.

While dollar sales of soft-moist products climbed in 1979—$293.41 million, an increase of over 14% from 1978—tonnage dropped. Says a leading pet foods supplier, "The soft-moist foods are very expensive on a per-pound basis, so the decline makes sense in light of today's economy."

Cat food trends: While industry sources claim dog owners are buying bigger sizes, cat owners are choosing smaller, single-feeding cans, probably because these sizes circumvent the need for refrigeration of leftovers.

That difference aside, 1979 trends in cat food are in sync with those for dog food. Dry cat food sales rose, as did canned premium lines. Maintenance cans declined at an increasing rate. Costlier soft-moist began to decline as the novelty of these newer entries wore off.

Dog and cat candy specialty climbed about 13½% to hit $181.73 million, but recessionary trends may prompt a falling off similar to the one that occurred during 1974's recession.

Space allocated to pet foods jumped from 182 linear feet in 1975 to 233 ft. in 1979, industry figures reveal. Retailers are reluctant to hand over any more shelf space to the category, and in fact are beginning to pare inventory so that only the best movers will remain. Suppliers, especially those in the dry food market, are elbowing for more space by beefing up ad budgets to ensure steady sales build-up.

One brand? Hartz is still the pet nonfoods leader in supermarkets even though recent Federal Trade Commission rulings prevent the firm from enforcing territorial restrictions on its distributors or offering price reductions to retailers in return for exclusive shelf space.

The fact is, however, that retailers like Hartz's full-line supply because it simplifies inventory control. Also, consumers trust the Hartz name and retailers know that that trust is a precious commodity in today's cautious marketplace. Few retailers, therefore, have as yet decided to go with other suppliers, though larger firms like Miller-Morton are starting to make more inroads.

Among top sellers in the $261.86 million category are flea and tick collars. Miller-Morton's entry gets "excellent movement in supers," reports a company spokesman.

At American Leather Specialties, vice president Bob Weinberg sees a trend toward better-quality, higher-ticket merchandise such as latigo collars and leashes that retail for about 20% more than cowhide items.

Cat litter volume climbed in 1979 and should continue to do so in 1980, thanks to good gains in generic lines and the development of more effective products. ☐

Pet Products: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dog Food Canned	**19.72**	**$ 634.48**	**$ 634.80**	**– 0.04**	**18.64**	**$136.81**	**69**	**21.6**
1 lb. & Under	16.70	537.35	520.26	3.28	15.89	116.61	60	21.7
Over 1 lb.	3.02	97.13	114.54	–15.19	2.75	20.20	9	20.8
Dog Food Semi-Moist	**9.11**	**293.41**	**256.68**	**14.31**	**7.56**	**55.47**	**26**	**18.9**
Packaged—Under 2 lb.	0.74	23.95	19.32	23.96	0.66	4.81	5	20.1
Packaged—2 lb. & Over	8.37	269.46	237.36	13.52	6.90	50.66	21	18.8
Dog Food Dry	**23.75**	**764.50**	**688.62**	**11.02**	**18.92**	**138.80**	**63**	**18.2**
Under 10 lb.	9.15	294.52	229.08	28.57	7.71	56.55	25	19.2
10 lb & Over	14.60	469.98	459.54	2.27	11.21	82.25	38	17.5
Cat Food	**31.10**	**1,001.06**	**990.88**	**1.03**	**30.32**	**222.51**	**115**	**22.2**
Canned	19.90	640.74	625.14	2.50	19.64	144.17	75	22.5
Dry	8.52	274.16	273.28	0.32	8.07	59.22	29	21.6
Semi-Moist	2.68	86.16	92.46	– 6.80	2.61	19.13	11	22.2
Dog/Cat Candy & Specialties	**5.65**	**181.73**	**160.08**	**13.52**	**6.64**	**48.70**	**33**	**26.8**
Bird Food	**1.95**	**62.66**	**51.06**	**22.72**	**3.04**	**22.31**	**10**	**35.6**
Pet Non-Food Items	**8.14**	**261.86**	**227.70**	**15.00**	**13.74**	**100.82**	**64**	**38.5**
All Other Pet Food	**0.58**	**18.80**	**16.56**	**13.53**	**1.14**	**8.36**	**7**	**44.4**
Total	**100.00**	**$3,218.50**	**$3,026.38**	**6.35**	**100.00**	**$733.76**	**387**	**22.8**

% of total store volume . . . 2.05%

Spices pepper category sales

Their diets becoming drearier as their national economy became sicker, Americans last year turned to spices for a mealtime lift. The results were growth and some unexpected trends.

Movement of meat tenderizer, normally an indication that financially strapped consumers are trading down to cheaper cuts of beef, dropped more than 7%. At the same time, seasonings used to prepare poultry dishes gained significantly. Observers saw the figures as an indication that many consumers were foregoing red beef and buying alternatives; manufacturers termed the tenderizer trend a "temporary setback" that should reverse itself when beef prices drop.

Indeed, it may have been the only real negative sign in dry spices. Sales rose nearly 13% and overall tonnage was up a respectable 1.5% to 2%, with several categories showing growth of five times that.

"Fortunately it [spices] is a broad category, and it can adjust itself easily to the ups and downs of the economy," says a spokesman for McCormick & Co., one of the two leaders in the spice trade.

Adjust it did. A back-to-scratch-baking trend that coincided with the onset of the gasoline shortage last year sparked sales and movement increases of such spices as cinnamon and nutmeg. Seasoned salt, one of the ingredients that adds life to ground beef dishes, showed significant unit growth. The so-called ethnic spices—including oregano, garlic and Mexican-oriented concoctions like chili powder—suffered no letdown in a surge that began a few years back.

A new standout in the last two or three years is the salad-related category, which includes imitation bacon bits, specialty seasonings and the ever-popular seasoned salt. Imitation bacon and related products alone chalked up a 10% increase in unit movement last year.

Manufacturers continue to focus a good portion of their marketing effort on the ever-increasing number of working women, women with less time and more money. Recipe-oriented promotions showing working women how to use spices easily are the effort's mainstay; the technique worked well last year.

Extracts suffer: Little appeared to work well when it came to the extracts side of the business, however. Reports on extracts' performance ranged from "marginal growth" to "continued decline." The category's heavy hitter, vanilla, is still slumping because of a shortage of vanilla beans, although shoppers seemed to prefer the much higher-priced real thing to several new artificial substitutes.

Incidence of Purchase
(per 1,000 POS transactions)

Spices	Unit sales	Dollar sales
1979	31	$29.01
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+3	+9

Source: TRIM Inc.

SPICES & EXTRACTS

The spice and extract market, meanwhile, lost one of its longtime veterans when Brooke Bond Foods Inc. of New York decided this spring to fold its Ehlers Spice division and leave the field to leaders McCormick and Durkee. Company officials would not elaborate on the shutdown, but observers say it stemmed from a Brooke Bond decision to focus efforts on its tea operations. ☐

Spices & Extracts: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Extracts & Food Coloring	**9.64**	**$ 62.66**	**$ 60.72**	**3.19**	**9.56**	**$ 20.66**	**30**	**33.0**
Lemon Extract	0.48	3.13	2.76	13.41	0.55	1.18	2	37.8
Vanilla Extract	6.27	40.73	38.64	5.41	5.86	12.67	8	31.1
All Other Extracts [Incl. Grenadine & Bitters]	1.93	12.53	13.80	− 9.19	2.09	4.52	16	36.1
Food Coloring	0.96	6.27	5.52	13.59	1.06	2.28	4	36.4
Pepper	**14.01**	**90.86**	**80.48**	**12.90**	**13.89**	**30.00**	**16**	**33.0**
Black	12.57	81.46	73.14	11.38	12.26	26.47	13	32.5
White	0.48	3.13	1.82	71.98	0.56	1.21	1	38.6
Red/Cayenne	0.96	6.27	5.52	13.59	1.07	2.31	2	36.9
Whole & Ground Spices	**15.68**	**101.84**	**88.32**	**15.31**	**17.77**	**38.38**	**35**	**37.7**
Cloves	1.93	12.53	9.66	29.71	2.16	4.66	3	37.2
Cinnamon	3.86	25.07	22.08	13.54	4.40	9.50	4	37.9
Nutmeg	1.45	9.40	8.28	13.53	1.60	3.46	1	36.8
Paprika	2.41	15.67	13.80	13.55	2.68	5.80	3	37.0
All Other Whole & Ground Spices & Seeds	6.03	39.17	34.50	13.54	6.93	14.96	24	38.2
Leaf Spices & Herbs	**7.23**	**47.00**	**40.02**	**17.44**	**8.59**	**18.56**	**17**	**39.5**
Basil	0.96	6.27	5.52	13.59	1.11	2.41	1	38.4
Oregano	1.93	12.53	11.04	13.50	2.15	4.64	3	37.0
Thyme	0.48	3.13	2.76	13.41	0.58	1.26	2	40.3
All Other Leaf Spices & Herbs	3.86	25.07	20.70	21.11	4.75	10.25	11	40.9
Vegetable Seasonings	**16.62**	**108.10**	**97.98**	**10.33**	**18.16**	**39.25**	**31**	**36.3**
Bell Pepper Flakes	0.24	1.57	1.38	13.77	0.29	0.63	1	39.9
Parsley Flakes	2.41	15.67	12.42	26.17	2.56	5.53	4	35.3
Chopped Chives	0.48	3.13	2.76	13.41	0.56	1.21	1	38.8
Celery Flakes & Seeds, etc.	0.72	4.70	5.52	−14.85	0.87	1.89	3	40.1
Onion Flakes & Juice, etc.	5.06	32.90	31.74	3.65	5.48	11.84	13	36.0
Garlic Flakes & Powder, etc.	6.99	45.43	40.02	13.52	7.61	16.45	7	36.2
All Other Vegetable Seasoning	0.72	4.70	4.14	13.53	0.79	1.71	2	36.3
Table Salt	**6.99**	**45.44**	**40.62**	**11.87**	**4.50**	**9.73**	**7**	**21.4**
Regular	3.13	20.37	22.85	−10.84	2.06	4.46	4	21.9
Iodized	3.86	25.07	17.77	41.08	2.44	5.27	3	21.0
All Other Salt	**0.96**	**6.27**	**5.52**	**13.59**	**0.80**	**1.72**	**4**	**27.5**
Other Seasoning & Flavoring	**28.87**	**187.70**	**162.84**	**15.27**	**26.73**	**57.76**	**61**	**30.8**
Chili Powder	1.93	12.53	12.42	0.89	2.04	4.41	4	35.2
Garlic Salt	3.86	25.07	23.46	6.86	3.96	8.55	6	34.1
Monosodium Glutamate [MSG]	2.89	18.80	15.18	23.85	2.13	4.61	3	24.5
Seasoned Pepper	0.96	6.27	6.90	− 9.12	0.85	1.83	3	29.2
Meat Tenderizers	2.41	15.67	13.80	13.55	2.10	4.54	5	29.0
Charcoal Flavoring, Artificial Smoke	0.72	4.70	2.76	70.29	0.68	1.47	2	31.2
Seasoned Salt	5.54	36.03	34.50	4.43	4.95	10.70	9	29.7
Special-Purpose Seasonings & Seasoning Mixes	2.65	17.23	13.80	24.86	2.74	5.93	8	34.4
Cinnamon-N-Sugar	0.35	2.27	1.38	64.49	0.38	0.82	2	35.9
Horseradish [Shelf Stable]	0.33	2.13	1.38	54.35	0.29	0.62	3	29.0
All Other Seasoning & Flavoring	7.23	47.00	37.26	26.14	6.61	14.29	16	30.4
Total	**100.00**	**$649.87**	**$576.50**	**12.73**	**100.00**	**$216.05**	**201**	**33.2**

% of total store volume . . . 0.41%

Hopes high for lunch staples

Jam and jelly manufacturers are hitching their wagon to a traditional trading partner and eying the future with hope. Like pasta producers and bread bakers, they know that hard times bring more movement of their products.

It's a trend that didn't really hit the jam and jelly industry in 1979. Jam and jelly sales roughly kept pace with inflation, posting increases of 11.7% and 13.5%, respectively. But tonnage was flat, although brighter moments began to appear toward the end of the year.

Traditional favorites continue to dominate the market. Grape jelly currently accounts for about 45% of sales, and strawberry pulls a fairly consistent 25% share. National brands account for nearly 70% of the market, with private label and generic jams and jellies taking up the rest. In some geographic areas, private label and generic items outdistance the nationals, but the ma-

Spreads: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Apple & Other Fruit Butters	**1.46**	**$ 10.97**	**$ 8.28**	**32.49**	**1.75**	**$ 2.79**	**3**	**25.4**
Peanut Butter	**53.13**	**397.92**	**356.04**	**11.76**	**44.01**	**70.03**	**33**	**17.6**
Marshmallow Spread	**1.67**	**12.53**	**9.66**	**29.71**	**1.87**	**2.98**	**1**	**23.8**
Jellies	**14.22**	**106.54**	**93.84**	**13.53**	**17.14**	**27.28**	**26**	**25.6**
Apple	1.46	10.97	6.90	58.99	2.09	3.32	4	30.3
Grape	10.04	75.20	66.24	13.53	11.53	18.35	13	24.4
All Other Jellies	2.72	20.37	20.70	– 1.58	3.52	5.60	9	27.5
Jams & Preserves	**25.33**	**189.57**	**169.74**	**11.68**	**30.14**	**47.94**	**40**	**25.3**
Blackberry	0.84	6.27	6.90	– 9.12	1.03	1.64	2	26.1
Grape	3.98	29.77	19.32	54.09	4.42	7.03	7	23.6
Peach	1.05	7.83	6.90	13.48	1.51	2.40	3	30.6
Raspberry	3.35	25.07	20.70	21.11	3.99	6.34	4	25.3
Strawberry	11.51	86.16	75.90	13.52	13.21	21.02	12	24.4
All Other Jams & Preserves ...	4.60	34.47	40.02	– 13.86	5.98	9.51	12	27.6
Marmalades	**3.77**	**28.20**	**22.08**	**27.72**	**4.55**	**7.25**	**5**	**25.7**
All Other Spreads	**0.42**	**3.15**	**1.38**	**126.81**	**0.54**	**0.86**	**1**	**27.6**
Total	**100.00**	**$748.88**	**$661.02**	**13.29**	**100.00**	**$159.13**	**109**	**21.2**

% of total store volume . . . 0.48%

Unit Movement

The following chart shows each spread category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Apple & Other Fruit Butters	8	1.39
Peanut Butter	261	45.22
Marshmallow Spread	20	3.47
Jellies	107	18.55
Apple	11	1.91
Grape	72	12.48
All Other Jellies	24	4.16
Jams & Preserves	153	26.52
Blackberry	5	0.87
Grape	28	4.85
Peach	6	1.04
Raspberry	16	2.77
Strawberry	66	11.44
All Other Jams & Preserves	32	5.55
Marmalades	27	4.68
All Other Spreads	1	0.17
Total	577	100.00

jors maintain they're not hurting. They see the situation as a battle between private label and generics. National manufacturers like Kraft, Welch and Smucker aren't sitting back to watch the other two categories slug it out, however; they continue to mount aggressive advertising and promotional campaigns.

Meanwhile, low-sugar lines introduced two years ago do not appear to have taken off yet. Manufacturers say they're still testing the products, originally seen as an alternative for nutrition-conscious consumers who worry about sugar.

Manufacturers voice optimism about 1980, but they also point to two possible clouds on the horizon: Sugar prices are skyrocketing, and prices on some fruits, like strawberries, are heading in the same direction. (Grapes, the market leader, are in good supply.)

Peanut butter: One category that did reap benefits from the worsening economy last year was peanut butter. Although sales only posted modest gains, peanut butter racked up a hefty 9% gain in tonnage. Observers say the increase was expected; financially strapped consumers who are faced with rising meat prices see peanut butter as a logical, cheap and protein-rich alternative.

Two brands continue to dominate the market. Best Foods' Skippy, the long standing leader, and Procter & Gamble's Jif battled nip and tuck for the No. 1 position for the first half of last year, each trading small leads several times. By year's end, Jif had emerged for the first time as the consistent leader, holding a slim 22.4% to 21.5% lead. Swift's Peter Pan was in third place, with a share of about 12.5%.

Syrups: For most syrups, it was a different—though not new—story. The youth market continues to dwindle in size, Americans are still shying away from heavy breakfast foods and the category's performance continued to follow suit. Two exceptions were corn and cane syrups and pure maple syrup, items popular with the natural-foods crowd.

Despite its appeal to health faddists, honey is seen by many consumers as a luxury item because of its relatively high price. It's a product they feel they can do without in hard times, and as a result, honey sales were relatively flat. Tonnage dropped about 6%. ☐

Syrups: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Molasses	3.45	$ 10.97	$ 9.66	13.56	3.43	$ 2.39	3	21.8
Honey	32.53	103.40	93.84	10.19	33.25	23.16	12	22.4
Churned Honey	0.98	3.13	8.28	−62.19	1.60	1.11	1	35.5
Pure Maple Syrup	3.94	12.53	9.66	29.71	3.96	2.76	1	22.0
Maple-Flavored Syrup	48.26	153.39	146.28	4.86	47.07	32.79	19	21.4
Plain	40.42	128.46	120.06	7.00	38.91	27.11	16	21.1
Buttered	7.84	24.93	26.22	− 4.91	8.16	5.68	3	22.8
Corn & Cane Syrups	7.39	23.50	19.32	21.64	7.05	4.91	4	20.9
All Other Breakfast Syrups	3.45	10.97	8.28	32.49	3.64	2.53	4	23.1
Total	100.00	$317.89	$295.32	7.64	100.00	$69.66	44	21.9

% of total store volume . . . 0.20%

Sellers: there's no place like home

Ever try to eat just one peanut? It's virtually impossible, and consumers, who have been on a 10-year binge, are finding it pretty hard to stop, despite the economy's downturn.

Consumption of all types of nuts has risen to about 9 lb. per capita, up from 6 lb. in the last decade.

This $570 million category registered another strong year in 1979, so recessionary fears are not strong in these quarters. "Nuts will probably slow down a little bit," says Ken Marx of Standard Brands, New York, "but not as severely as the rest of the market. Nuts will also return quicker to the prerecessionary growth pattern."

Dry roast continues to be the hottest thing in nuts, vaulting 29.36% last year. Dry roasted peanuts shot up 37.54%, outselling other roasts for the first time.

Why the switch to dry? "Consumers perceptions of dry roasted are that they have fewer calories—they do, but not by much—and that they are less messy to eat," explains Marlane Wolf of Fisher Nut Co., Minneapolis. "And a lot of people like the crunchiness of dry roasted."

From the looks of things, there will be plenty of peanuts around to crunch. The United States is the third-largest peanut producer in the world, harvesting 1.6 million acres annually under Federal price support programs.

This year, support level for the crops—the minimum price the Government guarantees peanut farmers—rose to $445 a ton from $420 a ton last year.

Walnuts are making a comeback after an off year in 1979 caused by a short crop. The last walnut harvest, in the fall of 1979, produced a 205,000-ton crop, a 28% improvement over 1978.

Walnuts: "There are adequate walnuts available," says Jack Murvay of Diamond/Sunsweet, Stockton, Calif., "and retail prices are about a dollar lower per pound than last year. As a result, consumers have reacted favorably."

Heading toward this year's harvest, Murvay says the supply should be only slightly smaller than last year. Carryover will balance any supply shortfall however, and

cashews
PLANTERS
Dry Roasted
mixed nuts
PLANTERS
Dry Roasted
mixed nuts

walnuts should be ready for shipments earlier than in prior years. Earlier delivery and adequate supply should put sales back on the plus side again, after last year's decline of 7%.

One of the real surprises in the nut category is mixed nuts. Generally carrying one of the higher tickets in the category, mixed nut traffic is holding steady despite the 1980 recession. "So far we really haven't felt the impact," says Wolf of Fisher. "People have gotten to the point where they do more entertaining at home and are more willing to spend $4 on fancy mixed nuts than $25 on a fancy dinner."

Almonds: California's biggest tree crop is not oranges. It's almonds. Last year's California almond crop was a monster 370 million lb., worth more than $550 million. Despite the enormous crop—double the previous year—prices for almonds held firm.

The principal reason behind this is that other countries are even hungrier than Americans for the stuff, and willing to pay for it. Last year 60% of the almond crop hit the road to Germany, Scandinavia, Great Britain and other northern European countries. Meanwhile, back in the United States, consumers gobbled down 100 million lb. of almonds.

Estimates for this year's crop, which will start harvesting next month, are about 300 million lb., slightly shorter than last year. This should mean adequate supplies, although prices will rise with inflation.

And the almond's reputation as a gourmet item should keep demand stable. "Consumers are more and more sophisticated in serving more varied meals featuring almonds," adds Ron Case of the California Almond Growers Exchange, "and the almonds are versatile, too, in appetizers, main courses and desserts."

Pistachios: Perhaps the sole beneficiary of the madness in Iran has been the fledgling California pistachio industry. By next year the Golden State will be the world's largest producer of pistachios, wresting that title from the Iranians. That nation's crop has shrunk to almost nothing due to natural causes and political chaos.

The California growers will fill that void easily, according to

Nuts: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Packaged Nuts—Regular	**60.56**	**$372.86**	**$357.32**	**4.35**	**61.53**	**$103.91**	**45**	**27.9**
Peanuts	14.50	89.30	85.56	4.37	14.23	24.02	15	26.9
Walnuts	14.76	90.86	97.98	− 7.26	15.17	25.62	7	28.2
Mixed Nuts	12.72	78.33	71.76	9.16	11.87	20.05	6	25.6
Pecans	6.36	39.17	38.26	2.38	7.61	12.85	6	32.8
Cashews	8.40	51.70	43.06	20.07	7.96	13.44	5	26.0
Almonds	3.82	23.50	20.70	13.53	4.69	7.92	6	33.7
Loose Bulk Nuts	**4.33**	**26.63**	**26.22**	**1.56**	**5.01**	**8.47**	**6**	**31.8**
Dry-Roasted Nuts	**20.86**	**128.47**	**99.36**	**29.30**	**18.87**	**31.84**	**13**	**24.8**
Peanuts	16.02	98.70	71.76	37.54	14.10	23.79	9	24.1
Cashews	2.29	14.10	12.42	13.53	2.26	3.82	1	27.1
Almonds	2.55	15.67	15.18	3.23	2.51	4.23	3	27.0
All Other Dry-Roasted Nuts	2.55	15.67	13.80	13.55	2.56	4.33	2	27.6
All Other Packaged Nuts	**11.70**	**72.06**	**57.96**	**24.33**	**12.03**	**20.32**	**16**	**28.2**
Total	**100.00**	**$615.05**	**$570.52**	**7.92**	**100.00**	**$168.86**	**82**	**27.4**

% of total store volume . . . 0.39%

Incidence of Purchase
(per 1,000 POS transactions)

Packaged nuts	Unit sales	Dollar sales
1979	32	$43.12
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	−3	+13

Source: TRIM Inc.

Harvey Amos of the California Pistachio Growers Association. The United States used to import about 20 million lb. annually from Iran. That has been reduced to zero, but the California crop that will be harvested this year will amount to about 25 million lb.

About 10 years ago the industry itself did not exist. The crop was planted because growers thought the trees were disease-resistant, and would virtually take care of themselves. This is not the case, says Amos, who adds that the trees are slow-maturing, needing about 8-10 years of growth to bear fruit.

And that "fruit" will carry a high price tag. Because of a significant export demand, the wholesale price, now about $6 per pound, could inch up to higher levels.

Prices could fall within a year or two, however, as all 31,000 acres begin to bear fruit. Most of the trees are planted in former or current oil-bearing areas, as it was found that Iranian trees grew best in the country's oil regions.

Unlike the Iranian pistachios, California nuts will not be dyed red. The dye, red No. 2, is banned in this country. This makes it easy to distinguish imported from domestic varieties.

Red pistachios, dyed to hide shell stains and other blemishes in the nut, are still imported from Turkey and India; dyes other than red No. 2 are used.

Cashews: A little socio-economic history is in order. Most cashews are grown in Africa, but traditionally were sold by Indian traders, who bought the seeds from the Africans and shelled them in India.

As African nations emerged from colonialism they sought to keep the trade within their borders, and set up trading posts where natives would barter seeds for supplies.

The trading post concept collapsed when currency replaced barter. The natives simply had nothing to buy with their money, and the supply situation was thrown into chaos. "It's not that the cashews aren't there," says one importer. "It's just that they're not being collected. The transportation system's deteriorated, too."

Although the governments involved are reportedly seeking outside help again, the problem still remains. And if that hasn't done enough to the supply, there's also the Union of Soviet Socialist Republics.

What do the Soviets have to do with cashews? They bought up all the surplus cashews controlled by Indian traders last September. The Soviets do a considerable amount of trading with India, and as a result have plenty of rupees lying around.

"The Russians buy without regard to pricing," says one importer, who does. "It makes no difference to them, and that's what happened this year. The United States and the Europeans aren't taking as much because of the price."

Current dock-side price for a pound of standard 320-count fancy whole cashews is about $2.70, up from about $1.80 a year ago. Shipping costs add another 10¢ or so to that. Tack on processing costs, and the retails are about $4.25 for 12-oz. tins, with little relief expected.

Assorted others: The story on filberts is not as exotic, but the pricing is. Present prices are at all-time highs due to tight supplies: Wholesale price per pound has increased about $1 over last year, and this will keep pressure on the mixed nut package prices.

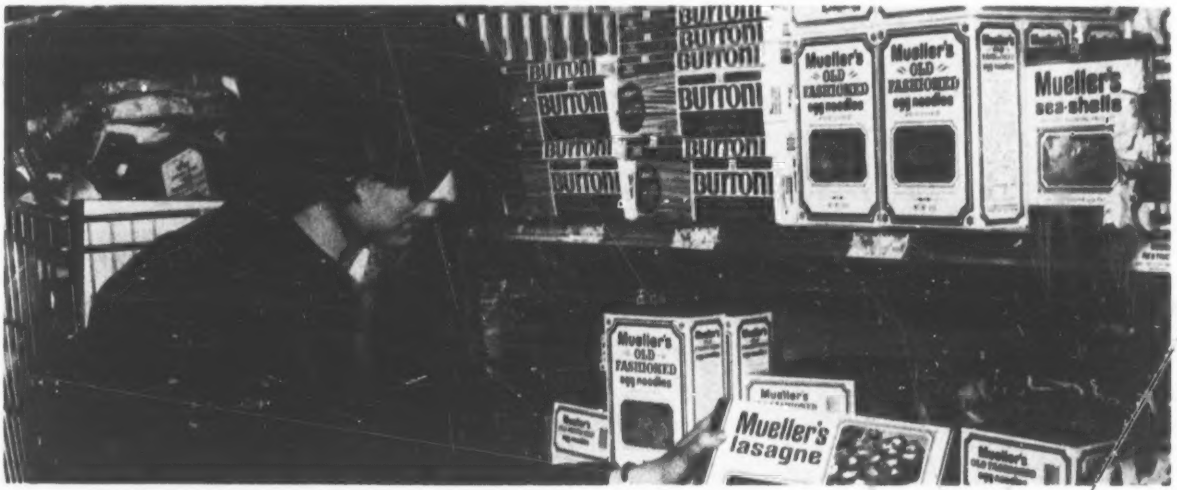
There is some relief in Brazil nuts. A large carryover and good crop year combined to bring prices into line. But the Brazilian Government is asking for much higher prices on the new crop, despite the supply situation. Some traders are skeptical they will get them.

On the home front, pecan farmers have done their best to frustrate inflation. Although the crop year is near its end, there are still plenty of pecans available, and prospects for the harvest are good. Some spot shortages of large-sized halves do exist but pieces are abundant. ☐

Unit Movement

The following chart shows each nut category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Packaged Nuts Regular	**207**	**58.81**
Peanuts	63	17.90
Walnuts	46	13.07
Mixed Nuts	34	9.66
Pecans	24	6.82
Cashews	22	6.25
Almonds	18	5.11
Loose Bulk Nuts	**0**	**0.00**
Dry Roasted Nuts	**95**	**26.99**
Peanuts	67	19.03
Cashews	6	1.70
Almonds	11	3.13
All Other Dry Roasted Nuts	11	3.13
All Other Packaged Nuts	**50**	**14.20**
Total	**352**	**100.00**



Marginal gains an unexpected twist

In spite of the old adage that pasta performance goes up as the economy goes down, pasta posted only marginal real gains last year—although, say the experts, the picture should brighten somewhat in 1980.

Pasta producers and retailers had hoped the ailing economy would spur sales of the wheat-based staple last year as consumers retrenched from higher-priced foods such as beef. But the final figures proved them wrong. Although sales rose respectably, slightly more than 20% over 1978, tonnage inched ahead, rising barely 3% in many cases.

Pasta pros cite two reasons for the poorer-than-anticipated showing. First, an increase in the cost of raw materials resulted in higher prices on the supermarket shelves. At the same time, plentiful potato, rice and bean crops dropped shelf prices on those staples, apparently drawing economy-minded shoppers away from macaroni items. When pasta is priced at 75 cents a pound, rice at 45 cents a pound, beans at 40 cents and potatoes at 10 cents, says an Illinois retailer, what else is a consumer likely to do?

'We're kidding ourselves if we blindly stick to the old axiom that we're depression-proof," adds a regional pasta manufacturer. "You raise prices 60 cents and you're going to lose."

But, he and others contend, there's enough truth to the "depression-proof" saying to raise some hope for next year, when the nation's economy will be as bad or worse. And, they add, there are several other factors that point to stronger performance.

Prime among them is the emerging awareness that pasta, despite its traditional reputation as a fattening food, is indeed a nutritious one. United States Sen. George McGovern's Senate Nutrition Subcommittee and other governmental groups now call for a recommended diet containing less meat and more of what they term "complex carbohydrates." Pasta, as a complex carbohydrate, fits right in.

At the same time, pasta is gaining in popularity as a party food, a versatile meal ingredient that is part and parcel of the gourmet cook's bag of tricks. (In fact, in larger cities like New York and San Francisco, there is even a resurgence of specialty shops that make and sell fresh, "wet" pasta.)

For instance, says Lester Thurston, president of the country's No. 1 pasta producer, Foremost-McKesson's C. F. Mueller Co., "Lasagne has been one of the—if not *the*—fastest-growing items in the lines of most pasta manufacturers for the past few years. It, and new specialties like jumbo and manicotti, have found a market in areas where they were not found at all a few years ago."

Both the new-found popularity and the increasing reputation as a healthful food provide legs to support new pasta pushes. One tried

Incidence of Purchase
(per 1,000 POS transactions)

Spaghetti	Unit sales	Dollar sales
1979	23	$26.37
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	+13	+19

*Rounded to nearest whole number

Source: TRIM Inc.

this spring by the Prince Macaroni Co. of Lowell, Mass., is tied in with a new-product introduction; Prince has come out again with Superoni, a soy-enriched line it tried two years ago and that early reports say is doing well this time. Another firm is pushing a line it says contains 10% fewer calories than standard pasta. And the advertising mileage that can be made out of standard pasta's nutritional content has not been lost on manufacturers.

Going national: A basic change in the organization of the pasta-producing sector also may bode well for the category's future, some say. Traditionally, pasta was made by small, regional firms, usually family-owned. There still is no truly national manufacturer. But within the last five years, large national corporations have caught acquisition fever—and now five own a large chunk of the macaroni market. Besides Foremost-McKesson, which bought Mueller about four years ago, they are Hershey (San Giorgio Macaroni), Pillsbury (American Beauty Macaroni), Borden (Creamette) and the English firm, Ranks Hovis McDougall Ltd.

Ailing economy fails to increase movement as shoppers go for cheaper substitutes

Opinions vary, but a prevailing prediction is that the large firms will inject the pasta market with the heavy doses of capital, marketing savvy and mass-merchandising creativity that many smaller companies were unable to afford.

Smaller regional companies remain strong, however. Two in particular, Prince in the Northeast and California-based Golden Grain on the West Coast, are holding well against forays into their turf by large firms.

The jury still is out on generic pasta; its success in some markets has been offset by poor sales in others. Meanwhile, Oriental-style "instant" noodle products have had their greatest impact not on pasta, but on the dry soup and instant dinner markets. Manufacturers like Nissin (Cup o' Noodles) admit they prefer their products to be stocked in the dry soup section. And pasta producers point out that Oriental-style noodles are merely wheat and water fried, in fact, not traditional enriched noodles made according to strict Government standards. ☐

Pasta Products: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Macaroni Dinners	**16.34**	**$148.83**	**$120.12**	**23.90**	**16.35**	**$ 29.50**	**8**	**19.8**
With Cheese	14.48	117.50	81.48	44.21	12.37	22.33	7	19.0
All Other Macaroni Dinners	3.86	31.33	38.64	– 18.91	3.98	7.18	1	22.9
Noodle Dinners	**6.94**	**56.39**	**54.86**	**2.79**	**7.58**	**13.67**	**17**	**24.2**
With Meat	0.96	7.83	9.32	– 15.98	1.09	1.97	3	25.1
All Other Noodle Dinners	5.98	48.56	45.54	6.63	6.49	11.70	14	24.1
Spaghetti Dinners	**3.28**	**26.64**	**21.58**	**23.45**	**3.30**	**5.97**	**3**	**22.4**
With Meat	1.93	15.67	13.80	13.55	1.82	3.29	1	21.0
All Other Spaghetti Dinners	1.35	10.97	7.78	41.00	1.48	2.68	2	24.4
Noodle Mixes	**0.77**	**6.27**	**4.14**	**51.45**	**0.87**	**1.57**	**3**	**25.0**
Macaroni	**22.20**	**180.16**	**144.90**	**24.33**	**22.40**	**40.42**	**29**	**22.4**
Elbow	9.07	73.63	62.10	18.57	9.06	16.35	10	22.2
All Other Macaroni	13.13	106.53	82.80	28.66	13.34	24.08	19	22.6
Noodles	**14.87**	**120.63**	**97.98**	**23.12**	**15.45**	**27.86**	**22**	**23.1**
Flat	11.39	92.43	75.90	21.78	12.35	22.28	17	24.1
All Other Noodles	3.48	28.20	22.08	27.72	3.10	5.58	5	19.8
Spaghetti	**22.20**	**180.16**	**141.51**	**27.31**	**21.37**	**38.56**	**20**	**21.4**
Regular	15.64	126.90	113.16	12.14	15.61	28.17	14	22.2
All Other Spaghetti	6.56	53.26	28.35	87.87	5.76	10.39	6	19.5
Pizza Mix	**3.48**	**28.20**	**23.46**	**20.20**	**3.69**	**6.66**	**7**	**23.6**
One-Pot Dinners to Which Fresh Meat/Fish is Added	**5.22**	**42.30**	**41.40**	**2.17**	**6.01**	**10.85**	**9**	**25.7**
With Noodles or Macaroni	2.32	18.80	17.94	4.79	2.56	4.63	4	24.6
With Rice	0.39	3.13	1.38	126.81	0.45	0.81	1	25.8
All Other One-Pot Dinners With Meat/Fish Added	2.51	20.37	22.08	– 7.73	3.00	5.42	4	26.6
Noodles With Sauce Mixes	**1.54**	**12.53**	**9.66**	**29.71**	**1.83**	**3.30**	**3**	**26.3**
All Other Pasta Dinners	**1.16**	**9.40**	**5.52**	**70.29**	**1.15**	**2.07**	**1**	**22.0**
Total	**100.00**	**$811.51**	**$667.89**	**21.50**	**100.00**	**$180.41**	**122**	**22.2**

% of total store volume . . . 0.32%

Sales rebirth on the horizon?

Gerber
OATMEAL
BANANA

The birthrate fell. Consumers' ire ran high. Doctors added their own two cents' worth. The result: Sales of baby food in the supermarket spiraled downward during most of the 1970's. But conditions in the category stabilized by the end of the decade, and officials of the big three baby food manufacturers are heaving sighs of relief.

Dollar volume in 1979 hit $703.92 million, up 11.37% from 1978. Although growth was not spectacular, the overall increase, when viewed with hefty gains in products geared to younger infants, combined to make executives hopeful that the 1980's will see even greater gains.

The 1970's were not happy years for the baby food category. For one thing, there was a surprisingly strong trend to home preparation of baby food. Controversy over salt and sugar levels in commercial products fueled this movement, leading many concerned mothers to use their new food processors to make a homemade version of what their mothers once bought from Gerber, Beech-Nut and Heinz.

While Gerber estimates that 8%-10% of all mothers make their own baby food, this percentage is likely to stay put—or even decrease—in the next few years. Major manufacturers have responded to consumer concern by discontinuing the use of added salt and considerably reducing added sugar. Indeed, Beech-Nut now proudly states that there is "no salt or sugar in any jar of Beech-Nut." Thus, nutrition and health-conscious mothers can now feel more secure about feeding their children store-bought baby food.

Additionally, recent U.S.D.A. figures show that home-prepared foods actually cost more than those produced by Gerber, Heinz and Beech-Nut. With the economy causing increasing worry, price-conscious consumers may think twice about home preparation.

Medical advice: The most serious problems faced by the industry are caused by new theories of baby feeding embraced by pediatricians in the last few years. Baby food manufacturers found themselves caught in a squeeze play as many doctors began delaying the introduction of solid food into baby diets—and advocating earlier use of table foods. This has been a major cause of sluggish sales, with consumption-per-baby down about 3% in the last year, according to one major manufacturer. But there is some hope of a pendulum swing on these figures in the near future.

Gerber, for one, sees definite movement away from medical recommendations for later introduction of solid food for babies. Pediatricians, says a Gerber spokesman, are now considering a variety of factors when evaluating diet, such as height, weight, hunger and even psychological need. This should lead to a broader range of age introductions.

Better news: Of course, all the news wasn't bad in the 70's. Juice sales skyrocketed after the switch to glass bottles, and the category is still showing impressive gains. Juice sales logged a healthy increase of 25.26% in 1979. Anxious to keep sales booming, manufacturers are not sitting on their laurels. For instance, Heinz has introduced large-size juices into some markets, hoping to combine the appeal of glass with the current consumer move toward jumbo packaging.

There's been a good deal of interest in yogurt-based baby foods in recent years, tying in with the yogurt boom among young adults who are now raising their own families. But introduction of yogurt products has not been as quick or extensive as had been predicted. Beech-Nut, which calls itself "by far the most successful" with yogurt-based items, still sees sales as only "fair." And Heinz cautiously reports that they're "still evaluating" the results of their test-marketing in the Midwest.

Market shares have changed only slightly, with industry giant Gerber edging up to an impressive 70% share. Beech-Nut is responsible for 14% of sales.

Pediatricians' advice may have hurt baby food manufacturers, but formula producers have benefited from the new medical viewpoint. Ross Laboratories, which dominates the field with a market share of about 60%, saw tonnage rise 15% last year. A spokesman for the company attributes that growth to the length of time babies are now on formula, noting that the effect is the same as if the birthrate had tripled.

Ross sees a strong trend to powdered formula and notes that their Similac with Iron is doing particularly well, reflecting heavy interest in products containing iron.

Supermarkets do outstanding business with formula and are responsible for a whopping 75% of all formula sales. One reason for the constant growth in supers is the major headway reported in getting more space for the product, particularly for case lots. Fifty per cent of mothers buy by the case, and studies show that an additional 15% would prefer to do so.

Brands at war: The big baby food news in 1980 may just be a brand war. Beech-Nut, long an innovator in the field—the company declares that "every product change has been initiated by Beech-Nut"—was purchased by Nestlé in November. The increased clout should give the company, plagued by poor distribution in the past, the resources to mount a real challenge to industry leader Gerber. Beech-Nut has shown it's not afraid to stand up to the Goliath by specifically naming Gerber as guilty of adding sugar to its products in recent television commercials.

The gradual but significant increase in births is cause for optimism. There are already positive signs for the industry as a result of the well-over-100,000 additional births expected this year: Cereal, a starter food, is showing an even more healthy increase in sales. In time, this should be reflected in other categories as well. ☐

Baby Foods: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dinners, Hi-Protein	**1.95**	**$ 13.70**	**$ 15.18**	**− 9.74**	**2.42**	**$ 2.28**	**6**	**16.7**
Strained	0.84	5.90	5.52	6.88	0.96	0.90	3	15.3
Junior	1.11	7.80	9.66	−19.24	1.46	1.38	3	17.7
Cereal Combinations	**2.01**	**14.10**	**12.42**	**13.53**	**1.84**	**1.74**	**7**	**12.3**
Strained	1.34	9.40	8.28	13.53	1.22	1.15	4	12.2
Junior	0.67	4.70	4.14	13.53	0.62	0.59	3	12.5
Dinners, Regular	**8.46**	**59.54**	**53.82**	**10.63**	**8.75**	**8.25**	**36**	**13.9**
Strained	3.56	25.07	24.84	0.93	3.78	3.56	17	14.2
Junior	4.90	34.47	28.98	18.94	4.97	4.69	19	13.6
Meats	**6.68**	**47.00**	**48.30**	**− 2.68**	**7.83**	**7.38**	**13**	**15.7**
Strained	4.01	28.20	27.60	2.17	4.70	4.43	7	15.7
Junior	2.67	18.80	20.70	− 9.17	3.13	2.95	6	15.7
Desserts	**6.68**	**47.00**	**46.92**	**0.17**	**6.95**	**6.55**	**26**	**13.9**
Strained	4.01	28.20	27.60	2.17	4.34	4.09	17	14.5
Junior	2.67	18.80	19.32	− 2.68	2.61	2.46	9	13.1
Soups	**0.26**	**1.81**	**1.38**	**31.16**	**0.37**	**0.35**	**1**	**19.1**
Strained	0.26	1.81	1.38	31.16	0.37	0.35	1	19.1
Vegetables	**5.79**	**40.73**	**37.26**	**9.31**	**5.79**	**5.46**	**21**	**13.4**
Strained	4.45	31.33	28.98	8.11	4.45	4.20	16	13.4
Junior	1.34	9.40	8.28	13.53	1.34	1.26	5	13.4
Fruits	**9.79**	**68.93**	**59.34**	**16.16**	**9.89**	**9.32**	**30**	**13.5**
Strained	6.01	42.30	35.88	17.89	6.33	5.96	18	14.1
Junior	3.78	26.63	23.46	13.51	3.56	3.36	12	12.6
Juices	**7.12**	**50.13**	**40.02**	**25.26**	**7.23**	**6.82**	**15**	**13.6**
Cereal (Dry)	**3.12**	**21.93**	**19.32**	**13.51**	**4.00**	**3.77**	**11**	**17.2**
Biscuits, Cookies, etc.	**0.44**	**3.13**	**4.14**	**−24.39**	**0.67**	**0.64**	**3**	**20.3**
Formula	**47.26**	**332.79**	**291.20**	**14.28**	**43.77**	**41.27**	**23**	**12.4**
All Other Baby Foods	**0.44**	**3.13**	**2.76**	**13.41**	**0.49**	**0.47**	**1**	**14.9**
Total	**100.00**	**$703.92**	**$632.06**	**11.37**	**100.00**	**$94.28**	**193**	**13.4**

% of total store volume . . . 0.45%

Supplies, price beach tuna sales

If sales of canned tuna are off a bit this year—and they are—don't be surprised. The canners aren't. Last year was unique as consumers went through tuna faster than tuna go through a school of bait fish.

The category registered a lusty 17.65% sales increase in 1979 on a tonnage increase of about 4%.

Consumers stayed with tuna, despite higher prices, because the bill for beef shot up about 20% last year, and pork and poultry could not offer much more relief.

But going into the first quarter of 1980, both poultry and pork production reached peak cycles, which resulted in unusually low prices and lured away some of the tuna market. The price problem was compounded by the fact that tuna fisherman had so-so luck in the catching department earlier this year while the canners were catching hell in the economic department.

"Typically, the canneries have held good-size inventories to guard against the day the boats don't come in," explains Pat Rose of Chicken of the Sea, a division of Ralston Purina. "But with the high price of money, the carrying costs are just too high to keep a big inventory."

The inventory picture is changing. More recently, fishing has improved "substantially," according to Stuart Lay of Castle & Cooke's Bumble Bee brand.

Unfortunately, prices for raw fish are still high. Not surprisingly, the biggest factor here is the high price of production. It costs about $10 million for a tuna boat before it even hits the water. Once it does, the boat fills up with 200,000 gallons of diesel fuel, the price of which has increased about 80% over the last year. *Then* it goes fishing; and that, too, is getting more complicated.

This month the Government will decide on newly proposed tuna fishing regulations concerning the number of porpoises the tunamen are allowed to kill in netting tuna. (The tuna boats follow the porpoises, which feed on tuna.)

Negotiations are also in process with the Government of Mexico and other Latin American countries to increase access to tropical eastern Pacific waters, which are prime tuna grounds.

But regulatory problems may be the least of the industry's concerns. Once again the price of petroleum looms as a threat to certain sensitive segments of the market. Any significant increase in the price of fuel will eventually find its way to the price of tuna. When fuel prices

Incidence of Purchase
(per 1,000 POS transactions)

Tuna	Unit sales	Dollar sales
1979	81	$80.36
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+8	+10

Source: TRIM Inc.

become totally decontrolled, such an increase may be inevitable.

On the plus side, pork and poultry production will drop in the third quarter, and prices for those commodities will rise in proportion. That should help firm up the tuna market. "Looking past September," says Rose, "I see the industry moving back to its traditional growth rate of about 3½% per year."

Within the category itself, the real growth story continues to be water pack. In both white and light varieties, water pack is grabbing an increasing share of the market. Through the first quarter, water pack has increased to 63.2% of white meat tuna sales from 59%. In light meat, water pack now represents 32.3% of the business, up from 25% a year ago.

"I think it represents the consumer's interest in more natural products," says Lay, "plus the fact that consumers are more weight-conscious and water pack has fewer calories than oil pack."

Salmon: If any fish product can swim upstream against inflation's tide this year it will be salmon. The salmon fishing season has all the indications of a blockbuster, according to spokesmen at the Alaska Department of Fish and Game.

Fishery officials indicate that the red salmon pack could be the largest in recent history. Last year the harvest for red sockeye salmon was slightly over a million cases. This year the harvest could be as high as 2.4 million.

Combined with an expected harvest of pink salmon of 1.7 million—down slightly—and of 300,000 chum and other varieties, the total harvest could be in the range of 4.5 million cases. That would have the canneries running at full capacity.

"Red salmon could probably be one of the best consumer values of the year," says Lee Patton of Castle & Cooke. "It should be a highly promotable item." In fact, prices may decline because increased productivity, lower prices for raw materials, and a slackening export market should offset increased production costs.

Until last year, the export market, principally Japan, forced the price of salmon higher and higher, in some cases breaking the $3 a pound barrier. That market collapsed last year because of an abundant supply situation, but not before generating a 20% increase in sales to almost $278 million for all varieties in the category.

This year, prices for salmon are still below year-ago levels. If there is any problem in the industry, it may be in the supply of the smaller 6-oz. cans of red salmon. With the anticipated volume of reds, the canneries will be under pressure to pack volume, which means primarily the 15-oz. or 15½-oz. can.

Crabmeat: The export market also had a dramatic impact on Alaskan king crab. Because of a record harvest in 1978, a large carryover into the critical Japanese market depressed prices significantly.

As a result, canners dumped their 1979 supply on the American market with a similar result: Prices for king crab plummeted and are still below last year according to the National Fisheries Institute. Dollar sales of king crab dived 27.72% last year, but that number must be tempered by the fact that the year before, sales increased 38.53%.

Supply-demand cycles were more in line for other varieties of crab—snow crab and dungeness, for instance—and volume shot up 28.65% to $26.63 million. Margins increased slightly.

Sardines: Norway's booming economy became the chief villain in

Canned Fish: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Tuna	70.21	$1,193.36	$1,014.30	17.65	58.14	$164.17	33	13.8
Light	42.10	715.54	622.38	14.97	37.25	105.18	17	14.7
White	26.73	454.32	373.98	21.48	19.31	54.52	12	12.0
Specialties	1.38	23.50	17.94	30.99	1.58	4.47	4	19.0
Salmon	16.36	278.13	232.20	19.78	22.16	62.58	10	22.5
Sardines	3.41	57.96	59.53	− 2.63	5.23	14.78	11	25.5
Anchovies	0.46	7.83	6.90	13.48	0.80	2.26	2	28.9
Herring & Kippers	0.37	6.27	4.14	51.45	0.58	1.63	1	26.0
Mackerel	0.46	7.83	8.28	− 5.42	0.72	2.02	1	25.8
Crab	2.22	37.60	35.88	4.79	3.05	8.60	4	22.9
King	0.65	10.97	15.18	−27.72	0.91	2.56	1	23.3
All Other Crab Products	1.57	26.63	20.70	28.65	2.14	6.05	3	22.7
Shrimp	2.49	42.30	42.78	− 1.11	3.30	9.31	5	22.0
Clams	2.21	37.60	33.12	13.53	3.29	9.29	4	24.7
Oysters	1.07	18.20	15.18	19.89	1.75	[illegible]	6	27.2
Wet Pack	0.66	11.23	9.66	16.25	1.16	3.28	5	29.2
All Other Oysters	0.41	6.97	5.52	26.27	0.59	1.68	1	24.1
All Other Canned Fish	0.74	12.53	12.42	0.89	0.98	2.77	3	22.1
Total	100.00	$1,699.61	$1,464.73	16.04	100.00	$282.36	86	16.6

% of total store volume . . . 1.08%

the sardine market last year. The American dollar took a beating from the oil-rich Norwegian Kröner in exchange rates in 1979, forcing substantial increases in sardine prices.

A spokesman for the Norwegian sardine industry says that following the last round of increases, in April, prices should stabilize for the rest of the year. The Norwegian Government has also stepped in and is working with the industry to increase canning productivity and hold down future increases.

> ***The pendulum should swing back in tuna's favor as pork, poultry prices rise***

Sales of sardines remain off slightly this year following 1978's 2.63% decline. Industry officials are content with those sales, however, because they suffered severe setbacks during the last economic turndown in 1974.

"The major problem with sardines," says one importer, "is creating a demand with younger consumers. The demand for sardines is with the older group."

On the domestic side, Maine canners are eagerly waiting the catch from the sardine run, which began late last month. Last year the American catch was one of the largest in 20 years, says James Warren of the Maine Sardine Council.

The higher cost of imported sardines may make the American variety an attractive buy this year, says Warren. Prices for American sardines are currently running 20¢-40¢ below the imports.

Single-layer silts remain the top seller in the sardine line, and oil the most popular pack. But like tuna, water pack is making major gains, particularly in the New England area.

There isn't any problem with selling anchovies. The problem is finding them. Anchovies have been playing hide and seek with fishermen for the last two years, and that shortfall has sent prices up.

But unlike sardines, there is enough demand to meet the price, so sales of anchovies jumped 13.48%, falling just short of $8 million. Margins increased an average 2% to 28.95%.

The shortage of anchovies also helped sales of kippers and herrings to an inordinate 51.46% increase. Supplies from Iceland and particularly Canada are adequate, and that situation should remain stable for the rest of the year.

Shrimp: Inflation has probably hit the shrimp industry harder than any of the major fisheries. "They are in trouble from the demand side, and they are in trouble from the costs side," says an analyst from the National Fisheries Service.

On the demand side, decreasing disposable income has made shrimp a luxury that many consumers are forced to pass by, although the price has decreased almost 20% at wholesale. Unfortunately, shrimp remains an expensive item, and it will stay that way because fuel prices, which now account for 30%-50% of the industry's operating cost, have nowhere to go but up.

The numbers clearly reflect the story. Last year shrimp sales in supermarkets declined 1.11%, despite higher prices. The prospects now are such that more than 80% of the shrimp fleet is tied up at the docks, according to the NFS. The major shrimp harvest runs from May through October, and whether the majority of the fleet goes out is largely a function of whether economic conditions improve enough to make it worth their efforts.

Oysters: The domestic canned oyster market relies chiefly on Korea and Japan for its supplies. Last year supplies tailed off at the end of the year, but demand did not.

As a consequence, sales volume increased almost 20% last year. Much of the volume boost can be attributed to the growing year-round demand for both smoked and whole oysters. Always a good seller during the Thanksgiving-Christmas period, the increased use of oysters as a gourmet item has spread demand over more of the year.

Last year the canneries got caught short, due in part to the closing of some Japanese processors because of pollution laws. It's too early to tell what supplies will be this year, although the small portion of domestically supplied oysters should be stable.

Clams: Government quotas on surf clam production have kept supplies on an even keel over the last two years, and this year will not be any different. As a result, unless there is a significant increase in demand, inflation should force prices up at least 10%. Most of last year's 13.53% increase was eaten away by the economy, although margins increased slightly. ☐

Unit Movement

The following chart shows each canned fish category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Tuna	996	78.11
Light	639	50.11
White	335	26.27
Specialties	22	1.73
Salmon	65	5.10
Sardines	74	5.80
Anchovies	9	0.71
Herring & Kippers	8	0.63
Mackerel	14	1.10
Crab	12	0.94
King	1	0.08
All Other Crab Products	11	0.86
Shrimp	24	1.88
Clams	30	2.35
Oysters	24	1.89
Wet Pack	15	1.18
All Other Oysters	9	0.71
All Other Canned Fish	19	1.49
Total	1,275	100.00

Raisins, rice ride nutrition wave

Quick, name something that was cheaper last year than the year before.

The answer is raisins, possibly the only commodity that showed a significant price decrease from 1978. Mother Nature was kind to California growers in 1979, following a year in which 60% of the crop was washed away by heavy rains.

Supplies increased 38% in 1979 to 2.3 million tons, sending prices back under the $2 per pound mark, and consumers responded in kind: Sales records were broken almost every month, according to the California Raisin Advisory Board, and demand continues to be "terrific."

Sales in supers topped $200 million last year, a 20% improvement over 1978, making raisins the biggest gainer in the dried fruit category. "Consumers have returned to buying raisins," says Mark Bagley of RJR Foods' DelMonte Co.

In addition to the supply situation, growing consumer preference for raisins as a snack food (in place of refined sugar-based foods), the increasing price of sugar and consumers' rapidly developing nutritional awareness have spurred raisins' growth. Also riding high on America's nutritional kick are dried cut fruits. "They probably have one of the highest levels of consumer acceptance in terms of nutrition," says Bagley.

Long the favorite of backpackers and outdoorsmen, the category is finding a larger, less specialized audience. But high prices, due to the

Incidence of Purchase
(per 1,000 POS transactions)

Dried fruits	Unit sales	Dollar sales
1979	28	$26.44
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+17	+8

Source: TRIM inc.

Dried Fruit: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Raisins	65.98	$200.49	$166.98	20.07	65.48	$51.13	11	25.5
Prunes	18.56	56.40	52.44	7.55	16.78	13.10	9	23.2
Regular	10.31	31.33	28.98	8.11	9.43	7.36	6	23.5
Pitted & Other	8.25	25.07	23.46	6.86	7.35	5.74	3	22.9
Apricots	4.12	12.53	11.04	13.50	4.19	3.27	2	26.1
Dates	5.67	17.23	16.56	4.05	6.62	5.17	5	30.0
All Other Dried Fruits	5.67	17.23	16.56	4.05	6.93	5.41	8	31.4
Total	100.00	$303.88	$263.58	15.29	100.00	$78.08	35	25.7

% of total store volume . . . 0.19%

labor-intensive drying process, have kept overall growth in check. That balance is beginning to tip, say the processors, as inflation is forcing prices up for other snacks at a higher rate than dried fruit.

Supplies of all cut fruit commodities are ample, although processing costs have increased about 10%, says an industry spokesman. The increases will be passed along to the consumer.

Prunes, too, should be gaining ground this year. The 1979 crop came in a bit on the short side, but the supply situation will change for the up side later this summer. Retailers will be helped by a major advertising campaign planned by the California Prune Advisory Board, which has not run a campaign in several years.

Packers say that pitted prunes, particularly those marketed in cello-pack, currenty are showing the biggest gains.

Dates face a tighter supply situation for both domestic and international reasons. Domestically, planted acreage is down, having given way to development, thus reducing the domestic crop. Internationally, imports from Iran and Iraq, the two principle sources, have plummeted.

At the same time, demand for dates is on the upswing, according to a spokesman for Calavo. "It's being recognized as a natural snack, as a surrogate for candy," the spokesman said, "and it's also a good gourmet item."

The result will undoubtedly be higher prices, depending on the crop yield later in the fall. In any case, imports from Iran will be zero.

Rice is going wild: That's because consumers are just mad about that particular variety, sales of which are growing yearly at a 14% clip. In fact, over the last five years, the entire category has grown at an astonishing 37%, with Golden Grain's Rice a Roni jumping 63%, according to industry sources.

Part of the reason is that the industry has continued to expand the market line yearly. Uncle Ben's, for instance, added a new line of flavored rice dishes, and Golden Grain will soon add to its extensive offerings. In the wild rice category, which used to be Uncle Ben's alone, several national brands have jumped into the market.

The numbers reflect increasing interest in one of the world's great staples, with increases in every category except regular. The growing competition in the wild rice market, however, sent margins plummeting, on average, from 31.1 to 23.3%. Margins on other varieties increased or held steady.

Manufacturers agree that rice dishes, particularly specialty side dishes, benefited from the high price of beef, and will continue to do so.

Most manufacturers are predicting steady growth for their products for the rest of the year, particularly if pork and poultry prices rise as their production falls. As for the rice supply, export demand has been fairly heavy, according to rice traders. But a good crop year should keep the domestic side in proper proportions, although prices will remain firm throughout the year.

The situation in instant potatoes

Unit Movement

The following chart shows each dried fruit category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Raisins	98	62.42
Prunes	32	20.38
Regular	18	11.46
Pitted & Other	14	8.92
Apricots	4	2.55
Dates	10	6.37
All Other Dried Fruits	13	8.28
Total	157	100.00

DRIED FRUITS & VEGETABLES

Unit Movement

The following chart shows each dried vegetable category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Rice & Rice Dishes	342	57.77
Regular	132	22.29
Instant	58	9.80
Brown	28	4.73
Flavored	122	20.61
Wild Rice	2	0.34
Instant Potatoes	103	17.40
Mashed	50	8.45
All Other Instant Potatoes	53	8.95
Beans	92	15.54
Peas	28	4.73
Lentils	8	1.35
All Other Dried Vegetables	19	3.21
Total	592	100.00

is similar. While the plain varieties of spuds have shown static movement, jazzed-up varieties have shown enough strength to fill in the gaps. Plentiful supplies of fresh potatoes have also exerted a downward influence on dehydrated mashed potatoes.

"Specialties have enjoyed an unusual growth over the last four or five years, and I don't think there's any question that we'll continue to see growth in that market," says a spokesman for General Mills. As usual, that company has another specialty potato product in test markets now.

Most of the action for dried beans last year was south of the border. Sales to Mexico last year encouraged growers to increase planted acreage about 21% this year, according to the U.S. Department of Agriculture, and the Mexicans have already contracted for 250,000 metric tons for delivery in September through December.

Domestic demand has been "fair to good," and firm price levels, due to the exports, should help that category beyond the 7.84% increase registered last year. In some regions that number will be substantially higher, reflecting ethnic tastes.

Dry peas and lentils showed significant sales increases in 1979—27.72 and 13.59 respectively—but for different reasons. Production of dry edible peas was down 43% last year according to U.S.D.A., which forced pea prices up.

Result: Export demand for the product dropped 35% as poorer countries apparently were unable to afford the price. The domestic market was able to absorb those high prices more easily, and although the 1978 crop was 43% larger than the 1979 crop, the drop in domestic demand was only 3.5%.

The story on lentils is just the opposite. The crop last year was a record high, says U.S.D.A., but much of that crop will be absorbed on the export market. As a result, domestic movement is down about 1% through April, but prices are running about $15 more per hundredweight than a year ago, which should keep sales volume high. ☐

Dried Vegetables: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Rice & Rice Dishes	62.95	$330.21	$305.73	8.01	59.20	$ 76.64	39	23.2
Regular	29.55	155.09	171.71	− 9.67	28.27	36.60	14	23.6
Instant	14.64	76.76	66.76	14.98	12.45	16.12	5	21.0
Brown	4.48	23.50	21.97	7.00	4.63	5.99	4	25.5
Flavored	10.44	54.73	49.06	11.56	10.15	13.14	15	24.0
Wild Rice	3.84	20.13	17.70	13.73	3.70	4.79	1	23.8
Instant Potatoes	19.12	100.26	97.98	2.33	20.00	25.90	20	25.8
Mashed	9.86	51.70	52.44	− 1.40	10.74	13.91	11	26.9
All Other Instant Potatoes	9.26	48.56	45.54	6.63	9.26	11.99	9	24.7
Beans	11.35	59.53	55.20	7.84	12.55	16.25	13	27.3
Peas	2.69	14.10	11.04	27.72	3.63	4.70	3	33.3
Lentils	1.20	6.27	5.52	13.59	1.38	1.78	1	28.4
All Other Dried Vegetables	2.69	14.10	12.42	13.53	3.24	4.19	2	29.7
Total	100.00	$524.47	$487.89	7.50	100.00	$129.46	78	24.7

% of total store volume . . . 0.34%

Crackers crumble cookie share

Polly, so the story goes, was never really offered that proverbial cracker; a sharp adman coined the phrase to add spark to the then slow-moving category. Whatever the truth, there's no doubt that the public, and the trade, are taking to crackers like a parrot to birdseed.

Sales of the crisp bakery product are currently burning up the track. Paced by a flock of new entries and encouraged by the consumer's growing preference for natural-style foods, cracker sales last year climbed more than 13% to just under $1.5 billion. Moreover, the once-wide gap in department share between crackers and cookies narrowed even further, with crackers now holding nearly 44%.

But here's the real story: Just five years ago, crackers represented an anemic 4.3% of the category, its roughly $50 million in sales undeniably pale compared to cookies' robust $1.2 billion.

Only when one realizes that the 1979 dollar volume of crackers alone exceeds the total dollars rung up by the full category in '74 can its phenomenal surge be appreciated.

Nevertheless, looking at the figures in proper perspective, last year wasn't so spectacular. Cookies' primary market, the preteeners, is maturing much more quickly than they're being replaced, accounting for the product's marginal growth. Fortunately, notes one manufacturer, the swelling ranks of 25- to 35-year-olds are displaying a strong preference for crackers. Still, the 12.5% dollar volume gain in '79 reflected, for the most part, higher retail prices, not tonnage growth, which edged up only slightly.

Chips Ahoy!
Chips Ahoy!
Chips Ahoy!
PREMIUM
PREMIUM
PREMIUM

But talk to biscuit manufacturers, and the tone is definitely upbeat. Credit retailers for that. At a time when slow-moving products are being weeded out at a rapid pace, shelf space for crackers—and even cookies—is, on average, expanding.

"We see a super year for the category, despite increased costs due to normal price hikes," says a buyer for New York-based Tops Friendly food chain. "There's a stronger emphasis on promotion, and manufacturers are offering more allowances, particularly on new products."

What about the recession? More importantly, does proliferation justify an expanded selling area?

For one thing, past experience indicates that the category shows substantial gains when heavily promoted and the Big Three—Nabisco, Sunshine and Keebler—show no signs of curbing advertising expenditures through 1980. While cookies may be more vulnerable to soaring ingredient costs, crackers enjoy reasonably recession-proof status. "Besides," points out an industry analyst, "the consumer is beginning to realize that the days of cheap sugar [a key ingredient in cookies] are over."

Natural strategy: Sunshine, from all indications, outpaced the market leaders in '79 with a 3% tonnage increase on sales of $239 million, up 12% over the previous year. The third-largest biscuit maker's claim to fame, according to its parent company, American Brands, is its switchover to 100% vegetable shortening instead of preservatives. Sunshine launched an extensive promotional blitz expounding on the quality claim, effectively riding the crest of the "natural" wave.

Nabisco experienced modest real growth, but then, the leader in the field was coming off dynamic growth in the previous year. Keebler, rounding out the Big Three, is estimated to have also gained at a decelerated pace.

But last year is history and, halfway through '80, sales—and tonnage—are both in healthy shape despite the economic uncertainty. Unit volume of Nabisco's U.S. Biscuit division, for instance, rose nearly 1.5% in the first quarter, according to chairman and ceo Robert Schaeberle.

Roll out the crackers: Most new products and line extensions in '79 and '80 are crackers, particularly the popular snack-style varieties. For a while it appeared that, following a strong test, Nabisco's new peanut brittle and apple crisp cookies were going to buck the trend away from sugar-filled goodies, but the early signs proved somewhat misleading.

Thought to be strong candidates for national distribution, peanut brittle cookies are currently on hold, while apple crisp's rollout has been intermittent at best. Nabisco, though, remains confident its nut- and fruit-flavored cookies will take off. Its peanut butter fudge is making its way onto retail shelves on a division-by-division basis, for instance, and the conservative approach is meeting with success.

Incidence of Purchase
(per 1,000 POS transactions)

Cookies	Unit sales	Dollar sales
1979	81	$82.57
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+8	+16

Source: TRIM Inc.

Sunshine is test-marketing two new cookie products, Swiss-style grahams and Swiss-style short bread in the East and Midwest. Promotional support zeros in on the products' natural flavors with no preservatives.

But most of the action is in the cracker market, with most observers believing that this will be the primary source for incremental sales growth.

Capitalizing on the appeal of snack and party crackers, Nabisco added two more flavors last year, vegetable thins and sesame wheats, and now offers 16 varieties. Recently, Nabisco went national with Wheatsworth, a stone-ground cracker successfully introduced to half the country last October.

Making inroads in two burgeoning areas, cheese-style and Mexican-style, Sunshine is testing its Cheesano and Taco wafers on the West Coast. Ralston-Purina, which first marketed RyKrisp brand snack crackers at the turn of the century, is currently blanketing the market with a Sesame RyKrisp whole-grain rye cracker.

Costly and flimsy? Looming on the horizon are plans for extensive changes in the labeling requirements for food products, several of which directly affect the cookie and cracker industry.

Three requirements, proposed jointly by the F.D.A. and U.S.D.A., post the most harmful threats, according to Joe Creed of the Biscuit and Cracker Manufacturers' Assn. They are:

- Mandatory percentage labeling for significant ingredients.
- A statement that ingredients are listed in descending order of predominance.
- Foods containing 10% or more total fat on a dry weight basis declare the specific source of the fat or oil.

"That last one's practically impossible to follow," says Creed, "since the sources frequently fluctuate depending on prices."

The biscuit association, along with roughly 32 other trade groups, has sent a letter to the Government agencies contending that the proposed regs are, in effect, flimsy in theory and prohibitive in execution. ☐

Cookies & Crackers: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cookies/Crackers	100.00	$3,345.43	$2,975.02	12.45	100.00	$865.30	81	25.9
Cookies	56.19	1,879.93	1,683.60	11.66	62.57	541.42	64	28.8
Crackers	43.81	1,465.50	1,291.42	13.48	37.43	323.88	17	22.1
Total	100.00	$3,345.43	$2,975.02	12.45	100.00	$865.30	81	25.9

% of total store volume . . . 2.13%

MICHELOB Light
Budweiser
MICHELOB
6 CARRIERS/6-7OZ BOTTLES
MICH VII

Beer war brews as sales slow down

Industry analysts are predicting that beer will reign as America's second-most-popular beverage by 1990. Currently in fourth place among major drink categories, beer is expected to achieve a rise in per capita consumption to 27.6 gal. by the dawn of the new decade, compared to today's average of 23.2 gal. per person. This should push brew past both milk and coffee, now rated second and third, respectively, on the nation's list of favorites. (It is expected that the soft drink category will top the list, with each American gulping down 50.1 gal. of the fizzy stuff each year.)

Of course, 1990 still lies well in the future. Unfortunately, supermarket sales performance of beer leaves a great deal to be desired in the here and now. In fact, real gains have decreased perceptibly in the late 1970's after some good growth during the first half of that decade.

Although supermarket dollar volume for beer rose a little more than 8% in 1979, increasing sales of this important beverage category to nearly $4.3 billion, higher retail prices across the board represent more than half of this gain. The wholesale price of beer increased 10% last year, with a further rise of 10%-12% on tap for 1980.

There are two main reasons for the price hikes: increased cost of raw materials and packaging, and a need to generate more dollars for use in stepped-up promotional.

Locked in a pressure-packed free-for-all to capture and hold share in today's slow-growth market, both against each other and a host of high-flying import brands, the nation's seven largest brewers—Anheuser-Busch, Coors, G. Heileman, Miller, Olympia, Pabst and Schlitz—spent an almost unbelievable $275.2 million to support their products in 1979. This 21% jump, coming hard on the heels of the 34% rise in ad spending in 1978, has added more than $100 million to the promotional budgets of the seven biggest suppliers in just two years.

The leading spender, at $91.5 million, is Anheuser-Busch. The St. Louis-based industry leader spent $29.5 million to back flagship brand Budweiser—and chunked out $33.2 million to support Michelob.

Miller, the Philip Morris division that has vaulted into second place among brewers in recent years, spent the most after A-B, $74.4 million. Schlitz ranked third at $48.3 million, about 2.5 times the amount allotted by any of the others. If spending in this area offers any clue, Coors is certainly one brewer to watch. The Colorado company has followed its 103% boost in spending in 1978 with a further 85% hike last year. Since Coors is preparing to extend its trading area to eastern markets and is also launching its first superpremium, Herman Joseph's 1868, additional increases in the supplier's ad and promotion budget are a good bet for 1980.

Why isn't the beer business generating sales increases comparable to those of the early 1970's? Some observers contend that industry compaction and torrid interbrand competition deserve most of the blame. The powerful national brewers have driven dozens, perhaps hundreds, of smaller rivals to the wall since World War II. The so-called "big five"—Anheuser-Busch, Miller, Schlitz, Pabst and Coors—have blended heavy brand support, aggressive marketing and low prices to virtually eliminate most regional and local labels. Today, the big five sell 76.1% of all domestic brew, and the top 10 suppliers market nearly 95% of United States output. The two biggest companies, Anehuser-Busch and Miller, now have nearly half of the entire market to themselves.

The shakeout has left room on the shelves for a flock of new brands offered by both American brewers and their overseas rivals. The low-calorie, superpremium and import brands, which have rapidly gained popularity, are now considered the segments with the best chance for future growth.

Imports explode: Although distribution outside major cities has often proven to be a problem, sales of foreign beers continue to mount. Heineken still ranks first among imports with a 40% share, with Molson, LaBatts, Carling O'Keefe, Beck's, Dos Equis and Carta Blanca also solidly established in the United States.

Among major domestic brewers also marketing foreign-made beers are Olympia (Grenzquell), Heleman (Beck's) and Anheuser-Busch (Wurzburger Hofbrau). Import brands have jumped from a 2.1% market share in 1978 to 2.6% last year, with more gains in sight.

Superpremiums pause: The breakneck pace of import sales expansion has halted gains in this relatively new subcategory, composed of domestically brewed beers intended to compete head to head with the newcomers from overseas. Still, the high return to the brewers and the shrinking price gap between superpremiums and other domestic beers promise a rebound this year. One thing is for sure—the segment's track record is impeccable: 167% sales growth since 1975.

Lowenbrau (Miller) and Michelob (Anheuser-Busch) are the brand leaders, but new rivals are rolling onto supermarket shelves from the other major brewers. Besides Coors' Herman Joseph's 1868, Schlitz has revived the Erlanger label, popular in the 1890's, for its superpremium, while Olympia is offering its Medallion in a unique faceted bottle designed to enhance the brand's quality image with consumers.

Light is all right: Miller may be losing the fight in the courts to protect its "Lite" name from infringement, but it is still winning the battle in the supermarket for sales.

Thanks to an 18% sales gain in 1979, Miller Lite has twice the volume of its nearest competitiors, Anheuser-Busch's tandem of Michelob Light and Natural Light. A-B recently pulled off quite a promotional coup, however, by signing up celebrity endorsers who formerly pitched for Miller Lite. Whether this advantage can be translated into a shift in market share—as was the "Pepsi Challenge" campaign in the soft drink category—is yet to be determined.

Soft wines boom: There's no sign of slackening in Americans' new-found love of wine. Supers presently hold 23% of the market, and would undoubtedly do even better if numerous states did not prevent food stores from selling wine and spirits.

Whites are still the main event, though the low alcohol-content "soft wines" are racking up solid sales for both domestic and foreign vintners. Reunite is the most popular import brand; Lambrusco is the best-selling type of import wine, with better than 20% of the market.

United Vintners, a subsidiary of Heublein, is so convinced that soft wines are the wave of the future that it is market-testing a three-item line under the Lejon label. Backed by a media support program with the theme "Softness you can actually taste," United Vintners hopes to challenge similar items from Paul Masson and Almaden that have already established themselves as excellent sales performers.

Major brewers are using ads, promos to capture and hold this flagging market

The outlook for wine sales appears excellent. Present per capita consumption is 2.2 gal., but this could nearly double in the next 10 years. How much of this incremental business goes to supers may well depend on how well retailers do in getting those pesky laws stricken from the books over the next few years. Meanwhile, those supermarketers who are able to retail wine are gearing up for vigorous marketing in the next couple of years. ☐

Beer & Wine: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Beer	91.95	$4,295.84	$3,974.40	8.09	88.43	$1,138.40	18	26.5
Wine	8.05	375.99	372.60	0.91	11.57	148.89	262	39.6
Total	100.00	$4,671.83	$4,347.00	7.47	100.00	$1,287.29	280	27.6

% of total store volume . . . 2.98%

White bread roll-out turns stale

A modest 8% increase in sales of commercially baked foods last year masked a relatively flat market that saw little growth in terms of unit movement.

A limited sampling by the American Bakers Association shows average national production last year down 2.5% from 1978—though an ABA spokesman was quick to say that the figure represents a temporary downturn on a line that has been climbing slowly for the past several years. Detailed figures vary from region to region, with 1979 production in the Western states on a par with the previous year's output; production in the Eastern states slightly ahead of 1978; and output in the Central and Southern regions down by 4% and 5%, respectively.

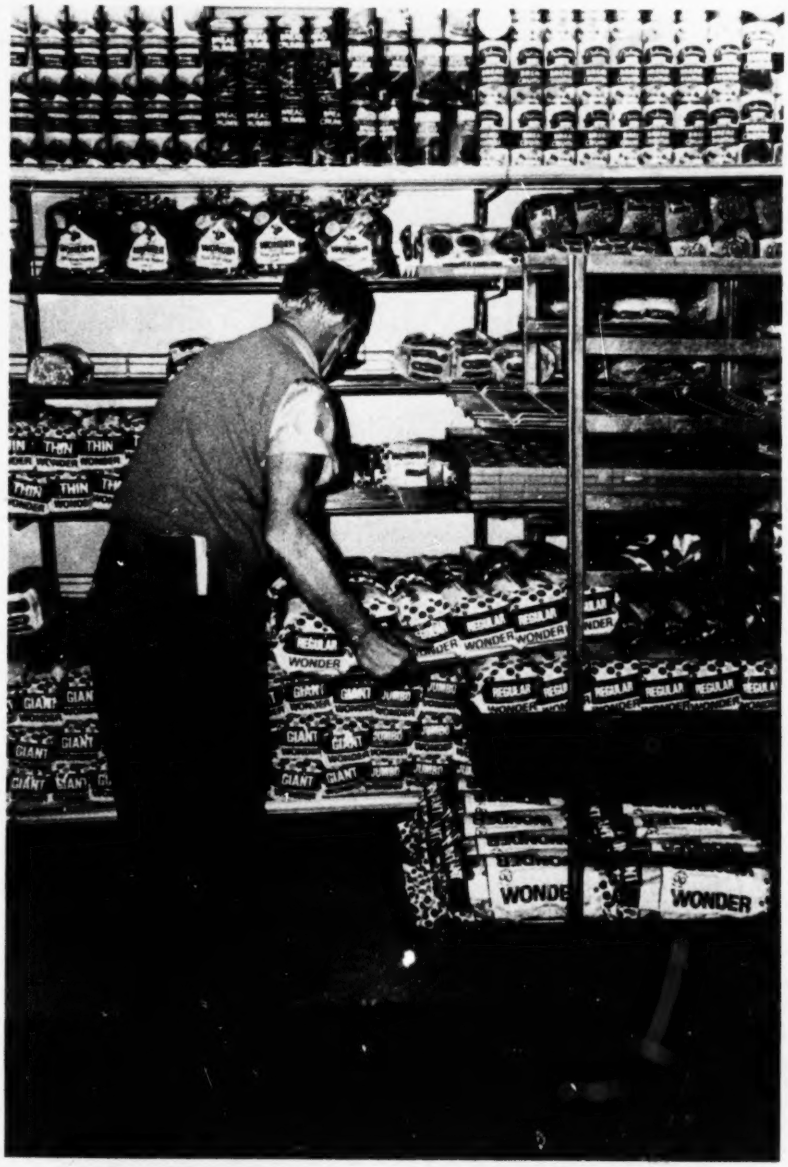
Why the lack of growth?

"I wonder myself," says a supermarketer in Indiana. "It's pretty much the total category—consumers just don't seem to be spending quite as much as they were."

Observers say one key is the continued decline in popularity of white bread, which has slipped steadily since 1972. A variety of reasons for the downturn are listed, not the least of which is the "bum rap" industry officials say white bread has received from nutritional faddists. Other possible reasons include the rapid growth of the fast food industry and the decline in the school-age population, each of which is seen as curtailing the popularity of made-at-home sandwiches.

But the facts remain. In 1963, according to the Bureau of the Census, some 53% of the total 16.8 billion pounds of commercial baked products produced was taken up by white bread. By the end of 1977, white accounted for 40% of the total 17.9 billion pounds produced. White was still the largest single category, but its slippage was evident.

At the same time, however, manufacturers and retailers have experienced a surge in other categories. Variety breads like rye and fiber, and their cousins, specialty breads like French and Vienna, have made tremendous inroads into commercial shelf lines—and into the shopping carts of ever-more nutrition-minded consumers.



"What used to be dominated by shelf after shelf of white bread is now virtually colored with an array of variety breads of all shapes, textures, tastes and structures," says Mark Sabo, marketing director for *Milling & Baking News*.

Sabo says today's consumer puts primary emphasis on two characteristics—natural and nutritional. If her requirements are met there, she may not balk at the higher price tag attached to variety breads.

The trend toward varieties and specialties is evident throughout the country. According to Interstate Brands Corp., a Kansas City-based bakery leader, average supermarket bakery volume last year broke down as follows:

- White bread (brands): 25% to 32%.
- Variety breads: 27% to 34%.
- Specialty breads: 15% to 20%.

- Buns and dinner rolls: 15% to 20%.
- Croutons, crumbs and stuffing: 1% to 3%.

Meanwhile, manufacturers aren't sitting around and letting the woes of the marketplace swamp them. In fact, they're striking back in at least two directions.

One is new-product introductions, coupled with new pushes for existing products. An example is raisin bread; the Sun-Maid Growers of California, expanding from their traditional packaged raisins category, jumped into the bread business in a big way this year. Initial reports from the West Coast say consumer acceptance is strong, and the product is headed for wider distribution. At the same time, the California Raisin Advisory Board is pushing its product to bread makers and buyers nationwide. Other relatively new products, like Kings Hawaiian Bread, also are faring well, retailers say.

Manufacturers' other major thrust is heavy promotion of their products, particularly from a nutritional standpoint.

"We've had too much publicity that white bread is bad, and we need to tell people it's not," says a Midwestern bakery official. "We've had [nutritional value] for years, but we never told people."

One firm that mounted an all-out promotional push this spring is Campbell-Taggart Inc., the Dallas-based baker that's second only to ITT Continental in bread sales. Campbell-Taggart kicked off a multimillion dollar print and broadcast ad campaign that attempts to explain bread's health benefits.

In-store bakeries: Probably the strongest new factor in the bakery foods category is the sector of the business that turned in the most favorable performance last year. In-store bakeries, written off barely a decade ago as cosmetic traffic draws rather than profit centers, continued to grow in number last year, a strong indication that their end of the market isn't hurting. Total number at year's end was about 13,000 units nationwide. Each contributed an average 4% of store sales, and, in some cases, 10% or more of store sales. Industry observers estimate that the in-store share of bakery food market dollars currently stands between 8% and 10%, and easily could reach 15% or more within the next five years. And, according to the Food Marketing Institute's latest figures for calendar 1978, more than 50% of new supermarkets contained an in-store bakery—including nearly all new stores that were larger than 32,500 sq. ft. Suppliers admit they've been warned of possible cutbacks due to the recession, but say they've seen no sign of a drop-off in business yet.

Tonnage dips slightly despite sales gain as slide continues in white bread use

Frozen-dough bakeoff operations, with their lower capital outlay and reduced skilled labor needs, continue to be the most popular in terms of total units. Observers estimate bakeoffs account for nearly 60% of all in-store hot shops, and leading suppliers—Rich's of Buffalo, Country Home Bakers of Bridgeport, Conn., and the Wetterau bakery products division—expect growth to continue. They're getting new competition, too. The massive Kroger Co., the country's second-largest supermarket chain, plans to start work this year on a 145,000-sq.-ft. frozen dough plant in Bowling Green, Ky.

That's not to say that scratch or scratch-mix operators can be written off. They currently account for about 30% of the total number of bakeshops in the country (combination scratch/bakeoff account for the rest), and operators are as optimistic as their frozen dough colleagues.

Bakeshop operators say the major effect of the wobbly economy on their business so far has been some softening in sales of cakes and sweet goods. But, they add, breads—especially variety and specialty types—are selling strongly, and even doughnut and cookie sales have not appreciably slackened.

Oddly enough, good performance by in-store bakeries does not seem to come at the expense of supermarkets' commercial bakery foods departments. Although supermarketers differ in their notions of whether to locate the two departments next to each other or as far apart as possible, the bottom line appears roughly the same.

Generics cause concern: Another relatively recent innovation, however, may hold more ominous possibilities for the rest of the bakery foods market. The trend toward generics has reached the bread category, and, while no one is certain just how heavy its impact will be, there is reason for concern, especially in the already-dwindling white bread category.

What does next year hold? Probably more of the same, manufacturers and retailers say. The decline of white bread probably won't stop. But, with increased promotion of bakery foods' nutritional quality, and with better capitalization on the appeal of other kinds of bread, that decline could be balanced by better performance elsewhere. ☐

Bakery Foods: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bakery Foods	100.00	$5,712.12	$5,285.40	8.07	100.00	$1,153.85	0	20.2
Total	100.00	$5,712.12	$5,285.40	8.07	100.00	$1,153.85	0	20.2

% of total store volume . . . 3.64%

'Light' carries a lot of weight

Ever since fruit found its way into cans, the category's profitability has been shaped pretty much by Mother Nature. When she's kind, supplies abound and prices temper. When she's nasty, supplies slacken and prices climb. Supply and demand, pure and simple.

Only it didn't quite work out that way last year, at least not for everyone in the canned fruit business. Consumer resistance to large sizes and sweeping disenchantment with fruits packed in heavy syrup were clear signals that the trade faces a whole new ballgame.

With few exceptions, canners look back at a year in which industry shipments slipped precipitously from the previous year, and only a higher retail price, not tonnage, allowed sales to keep pace with inflation.

"The consumer told us two things last year," says Alan Lakin, group product manager for Libby. "She wants a tasty canned fruit without all the sugar, and in a can under a dollar."

Sensing the shift, manufacturers began test marketing "lighter" canned fruits more than a year ago. But the size problem is a more complex issue.

"With people trading down from the large [28-oz.] containers to the 16- and 8½-oz. sizes, the result is an overabundance of one size and a shortage of the others," says Dick Lynch, director of product management for Del Monte, the dominant factor in the field of deciduous fruits.

His company, which managed to hold its market shares in '79, is busily working to solve the problem, but, notes Lynch, it requires substantial capital investment to convert production lines to the smaller sizes.

Of course, large fruits simply don't fit into small cans, which raises an entirely new problem. Del Monte seems to have found an effective alternative with its chunky-style mixed fruit. After successful test-marketing, the product rolled out nationally this month. However, the public's response to Del Monte's chunky size version of peaches and pears hasn't been as enthusiastic.

Light is "in": The nation's major canners may agree about consumers' move away from heavy syrups, but there are some harsh differences of opinion as to the magnitude of the phenomenon.

Libby, which bucked the industry trend with an 8%-10% hike in ton-

Incidence of Purchase
(per 1,000 POS transactions)

Canned peaches	Unit sales	Dollar sales
1979	**28**	**$15.97**
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+7	+25

Source: TRIM Inc.

nage last year (thanks to product segmentation), is putting its money on canned fruit without any sugar. Last March the company unveiled a four-variety line of Libby Lite fruits, each packed in its own juice. "It was an instant hit," says Lakin of the two-city test, claiming that expectations were exceeded by roughly 100%. The line rolled out nationally in January, supported with trade allowances and backed by heavy television advertising.

The response? Lakin likes to point to Seattle, where average movement has been more than a case a day per store. "I'd call that phenomenal!"

Packed in both the 303's and 8½-oz. cans, Libby's Lite line consists of fruit cocktail, peaches, pears and chunky mixed fruit—the same products it used to pack only in heavy syrup. "The difference," says Lakin, "is that now we're seeing profits."

Del Monte is making similar strides, but from a slightly different direction. "We believe the consumer is expressing a preference for juice-packed fruit, but we don't feel the current formulations are feasible," says Lynch. Consequently, Del Monte is test-marketing its own Lite line version, packed in a lighter syrup with far less sugar.

Juice-packed fruits nudge heavy syrup aside as consumers turn away from sugar

Del Monte offers seven varieties in 16-oz. cans: fruit cocktail, apricots, mixed chunky fruit, pears and peaches, the latter two in both halves and slices. Favorable response from consumers and the trade is a welcome encouragement of this major capital investment.

Dole seems to think so, and it's banking on the "natural" trend to land its new line of Fruit in Juice products a permanent place on supermarket shelves. The premier pineapple canner, in its first major effort outside that field, began test-marketing five varieties (peach slices, pear halves, apricot halves, fruit cocktail and Mandarin oranges) earlier this year on the West Coast. It's since gone national.

Canned Fruit: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Pie Fruits & Fruit Fillings	5.31	$ 59.53	$ 48.30	23.25	6.83	$ 15.48	8	26.0
Applesauce	17.48	195.79	150.42	30.16	17.47	39.51	19	20.2
Plain	16.51	184.96	142.14	30.13	16.36	36.99	17	20.0
All Other Applesauce	0.97	10.83	8.28	30.80	1.11	2.51	2	23.2
Fruit Salad & Cocktail	12.31	137.87	126.96	8.59	10.78	24.43	14	17.7
Salad	1.40	15.67	9.66	62.22	1.51	3.42	3	21.8
Cocktail	10.91	122.20	117.30	4.18	9.27	21.02	11	17.2
Peaches	19.03	213.06	216.66	− 1.65	17.42	39.52	26	18.5
Cling Sliced	9.93	111.23	110.40	0.75	8.83	20.02	11	18.0
Cling Halves	5.04	56.40	64.86	−13.03	4.65	10.55	7	18.7
Freestone/Elberta Slices	1.82	20.37	17.94	13.55	1.96	4.44	4	21.8
Freestone/Elberta Halves	0.70	7.83	6.90	13.48	0.70	1.60	2	20.4
All Other Peaches	1.54	17.23	16.56	4.05	1.28	2.91	2	16.9
Pineapple	18.87	211.48	178.02	18.80	20.24	45.88	22	21.7
Chunks	6.85	76.76	64.86	18.35	7.11	16.12	6	21.0
Crushed	6.15	68.93	59.34	16.16	6.72	15.23	7	22.1
Sliced	5.59	62.66	51.06	22.72	6.00	13.60	8	21.7
All Other Pineapple	0.28	3.13	2.76	13.41	0.41	0.93	1	29.7
Cherries	1.40	15.67	15.18	3.23	1.81	4.11	4	26.2
Berries	6.57	73.63	64.86	13.52	5.43	12.33	10	16.7
Cranberries & Cranberry Products	5.73	64.23	55.20	16.36	4.36	9.89	6	15.4
All Other Berries	0.84	9.40	9.66	− 2.68	1.07	2.44	4	25.9
Apples	0.42	4.70	4.14	13.53	0.52	1.18	2	25.1
Apricots	2.38	26.63	24.84	7.21	2.82	6.39	6	24.0
Citrus	3.92	43.87	38.64	13.54	3.99	9.04	4	20.6
Figs	0.56	6.27	4.14	51.45	0.72	1.64	1	26.1
Pears	9.23	103.43	93.84	10.22	9.13	20.69	12	20.0
Plums & Prunes	1.26	14.10	12.42	13.53	1.34	3.05	4	21.6
All Othar Fruit	1.26	14.10	13.80	2.17	1.50	3.40	4	24.1
Total	100.00	$1,120.13	$992.22	12.89	100.00	$226.62	136	20.2

% of total store volume . . . 0.72%

CANNED FRUIT

Incidence of Purchase
(per 1,000 POS transactions)

Canned applesauce	Unit sales	Dollar sales
1979	24	$13.66
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	N/C	+9

*Rounded to nearest whole number

Source: TRIM Inc.

"Juice-packed fruits are the hottest thing today," says Al Lomato, new products manager for Dole. "We're getting in on the ground floor."

There are some manufacturers who might take issue with that claim. Dietetic brand marketers have been packing fruit in its own juice for years, usually mixed with apple or grape juice. Unfortunately, their products tend to be associated with medical foods, thereby limiting their impact.

"That's the difference," says Lomato. "We're reaching everyone who wants to avoid sugar. That's a big audience, and it's growing every year."

Feast to famine: Dole's pursuit of product segmentation comes at a time when it's battling to regain lost market shares for its leading pineapple items. As outstanding as '79 was for Dole's juice line, that's how devastating it was for fruit.

"There was a tremendous oversupply of solid-packed pineapple, mainly from Thailand," explains Dole's Jesse Knight. "While supplies went all over the world, a lot came to the United States."

The sudden glut of pineapples ushered in a rash of "third brands," as novice packers, along with established canners, offered retailers lucrative deals on in-out promotions. The below-average prices, according to Knight, spurred rapid turns at Dole's expense.

"Practically overnight some of the established packers went from a 2%-3% share of market to 8%-9%," says Knight. That's a lot of pineapples in a 15-million-case industry. All three of Dole's pineapple products—solid-sliced, crushed and chunk—lost a piece of their market.

What's happening today? The supplies from Thailand have dipped dramatically due to a drought. While the pipeline is still filled up since retailers built up a stockpile of inventories, it's slowly working its way out of the stores.

Not to be left out, the trend in pineapple sales is also toward juice-packed vs. syrup-packed. Last year, pineapple packed in juice showed real growth of 2.5%, while syrup-style suffered a 2% drop.

Reflecting this trend, retailers are starting to discontinue some of the syrup-based lines while increasing juice-packed offerings. Dole, contends Knight, is not losing any ground here since most supermarketers are staying with his brand.

There's another snag in the canned fruit business that could signal further trouble for canners: the public's embracement of fresh fruit. Says a Government agricultural economist, "There's no question that more and more consumers are finding fresh fruits the better value—both nutritionally and financially—over canned."

This challenge, together with the scramble to formulate "light" alternatives to syrup-packed products, should make 1980 an interesting year for canned fruit. ☐

Unit Movement

The following chart shows each canned fruit category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Pie Fruits & Fruit Fillings	39	2.66
Applesauce	213	14.53
Plain	202	13.78
All Other Applesauce	11	0.75
Fruit Salad & Cocktail	203	13.83
Salad	20	1.36
Cocktail	183	12.47
Peaches	297	20.24
Cling Sliced	167	11.38
Cling Halves	69	4.70
Freestone/Elberta Slices	31	2.11
Freestone/Elberta Halves	8	0.55
All Other Peaches	22	1.50
Pineapple	310	21.13
Chunks	109	7.43
Crushed	105	7.16
Sliced	92	6.27
All Other Pineapple	4	0.27
Cherries	11	0.75
Berries	140	9.54
Cranberries & Cranberry Products	134	9.13
All Other Berries	6	0.41
Apples	5	0.34
Apricots	34	2.32
Citrus	61	4.16
Figs	4	0.27
Pears	117	7.98
Plums & Prunes	16	1.09
All Other Fruit	17	1.16
Total	1,467	100.00

Gelatins and puddings bounce back

JELL-O
MY-T-FINE

Bad news for the economy is good news for gelatin and pudding.

The bad news, of course, is that rising unemployment and double-digit inflation are putting the pinch on family budgets, forcing a record number of homemakers to trade down.

In this economic climate, the 50-year-old "reliables," gelatin and pudding, are beginning to bounce back from two years of decline (1977 and 1978) and a flat performance in 1979.

A marketing exec says, "People are going back to less expensive desserts. Even an apple costs 25¢. Dry-mix gelatin and pudding cost only 10¢-12¢ per serving."

Manufacturers are not quietly waiting for the upturn. This year they will spend in excess of $25 million promoting these two categories, vs. $20 million in 1979 and $18 million in 1978. "In perspective," says a product manager, "that's a lot of support when you realize that the entire margarine industry spent $30-$40 million in 1979."

Top gun General Foods (Jello) is unlimbering the heavy promotional artillery. The overall strategy is to promote usage of these low-cost desserts through tie-ins with other items that can be utilized in combination to create a still inexpensive but fancy treat. Typical is the "pudding in a cloud" effort GF launched in April, keyed to a combination of Jello pudding and Cool Whip.

Coming in September is the kickoff of the company's first TV cam-

Incidence of Purchase
(per 1,000 POS transactions)

Gelatins	Unit sales	Dollar sales
1979	41	$13.65
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	+4

Source: TRIM Inc.

paign in support of a salad recipe book. It's a more comprehensive version of the multipage recipe insert General Foods distributed through newspapers in 1979.

In December, GF will put promo power behind its "rainbow cake" recipe. (The user pokes a knife into the cake and adds gelatin for flavor and color.)

The manufacturer, which has already spent millions to promote Cool Whip as a pie ingredient as well as a topping, may be trying to do the same thing with Dream Whip whipped topping mix through its Dream Pie effort.

After offering a tie-in "Black Hole" poster, Standard Brands (Royal) began touting its "Instant Money Sweepstakes" in April. Tickets and coupons were inside the package. First prize: $5,000.

Gelatin and pudding's uphill battle to regain market share is symptomatic of the entire dessert/topping category. Six factors account for the failure of sales to keep pace with inflation: (1) increasing concern with weight control, (2) declining traditional meals, (3) more eating out, (4) smaller households, (5) more snacking during evenings, and (6) more working women who trade off for no-preparation desserts to save time.

After three lackluster years, less expensive desserts are making a major comeback

A General Foods spokesman fills in: "Preoccupation with weight and diet has resulted in either no dessert or lighter dessert. This, of course, benefits gelatin and pudding—but there is increased competition from other convenience light desserts such as fruit, yogurt and ice cream."

Because family meals are no longer structured (salad, meat, potatoes, vegetables, dessert), desserts have given way to snacks, most of which are not gelatin or pudding.

The market breakout for gelatin and pudding: the 6-oz. size represents 45% of the gelatin dry mix market, with strawberry, cherry, raspberry and orange the leading flavors. In dry mix pudding, the 6-oz. accounts for only 35% of sales, with pistachio, vanilla and chocolate the "big three." Tops in cooked pudding are chocolate, vanilla and butterscotch.

Consumers are not the only ones trading off (nutrition, taste, convenience, price). General Foods' Dream Whip, which holds 88% of the dry topping market, was kingpin of dessert toppings for 10 years. Then General Foods successfully introduced frozen Cool Whip. From 1975 through 1979, sales of Cool Whip increased at a compounded annual rate of 13.5% while Dream Whip plummeted. Now GF is push-

Desserts & Toppings: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Gelatin	**32.19**	**$147.26**	**$139.38**	**5.65**	**30.59**	**$ 32.02**	**43**	**21.7**
Flavored	29.11	133.16	125.58	6.04	27.22	28.50	39	21.4
Unflavored	2.40	10.97	9.66	13.56	2.55	2.67	3	24.3
Drinks	0.68	3.13	4.14	−24.39	0.82	0.85	1	27.3
Pudding & Pie Filling Mixes	**31.86**	**145.80**	**136.62**	**6.72**	**30.33**	**31.72**	**41**	**21.8**
Pudding & Pie Filling	14.38	65.80	56.58	16.30	13.59	14.21	21	21.6
Instant Pudding	11.98	54.83	55.20	− 0.66	11.38	11.90	14	21.7
Pie Filling	2.08	9.50	6.90	37.68	1.94	2.02	3	21.3
Refrigerated Pie Mixes	2.05	9.40	12.42	−24.31	1.92	2.01	2	21.4
Egg Custard	1.37	6.27	5.52	13.59	1.50	1.57	1	25.0
Whipped Desserts	**0.50**	**2.30**	**4.14**	**−55.56**	**0.41**	**0.43**	**1**	**18.8**
Topping Mixes	**2.74**	**12.53**	**12.42**	**0.89**	**2.71**	**2.83**	**2**	**22.6**
Prepared Toppings [Not Frosting]	**8.22**	**37.60**	**41.40**	**− 9.17**	**8.78**	**9.18**	**10**	**24.4**
Chocolate	5.82	26.63	24.84	7.21	5.91	6.18	4	23.2
All Other	2.40	10.97	16.56	−33.75	2.87	3.01	6	27.4
Canned Puddings	**4.11**	**18.80**	**9.66**	**94.62**	**4.28**	**4.47**	**8**	**23.8**
Individual Servings Canned Pudding & Fruit	**8.56**	**39.17**	**40.02**	**− 2.11**	**8.99**	**9.40**	**11**	**24.0**
Rennet	**0.34**	**1.57**	**4.14**	**−62.07**	**0.39**	**0.41**	**2**	**25.9**
Maraschino Cherries	**6.85**	**31.33**	**22.08**	**41.89**	**8.51**	**8.90**	**6**	**28.4**
Mince Meat	**1.71**	**7.83**	**8.28**	**− 5.42**	**1.59**	**1.66**	**3**	**21.2**
Tapioca [Dry]	**1.71**	**7.83**	**6.90**	**13.48**	**1.75**	**1.83**	**2**	**23.4**
All Other Desserts & Dessert Mixes	**1.21**	**5.53**	**5.52**	**0.18**	**1.67**	**1.75**	**3**	**31.6**
Total	**100.00**	**$457.55**	**$430.56**	**6.27**	**100.00**	**$104.60**	**132**	**22.9**

% of total store volume . . . 0.29%

ing Dream Whip as a pie ingredient, as well as topping.

Dream Whip's two sizes—two- and four-envelope—sell equally well. This may surprise marketers because logic is on the side of the two-envelope: smaller families and more singles. A GF product manager explains: "First, sales are influenced by deals, and the four-envelope appeals to supermarkets because of its higher dollar yield. As for customers, family size is a factor, but so is usage. A small family may prefer the large size because the woman may want to make two pies, so she uses a four-envelope box. Also, she may want to make the topping as well as the pie from the mix, and therefore needs the four-serve size."

Surge to squeeze: The fastest grower in toppings is the squeeze-bottle chocolate syrup, which is used both as a topping and a milk modifier.

RJR Foods' 20-oz. Milk Mate was launched in mid-1977, followed by Hershey's 24-oz. size in the spring of 1979. From a zero start, the squeeze syrup category has hit $12 million in annual sales and is already changing the powder/liquid market ratio.

In 1977, powdered chocolate had 60% of the market, liquid 40%. Today powder has dropped to 46% and liquid has 54%.

It doesn't take a soothsayer to predict that powdered manufacturers won't let the grass grow under their feet for long. Therefore, new market entries are inevitable.

Why the surge to squeeze?

It's easier to use—the push-pull closure is super-convenient for measuring and dispensing. It mixes thoroughly, whereas powder may not, and it can be used year-round: as a milk modifier in winter, a topping in summer.

Print and TV advertising is centered around the milk-flavoring theme because milk modifiers were growing rapidly even before squeeze debuted.

As for ice cream toppings, sales are down because ice cream production is down. Chocolate still accounts for 50% of the market, followed by butterscotch and caramel.

To buoy sales of both topping and ice cream, Kraft is going with a 25¢ coupon in selected markets this summer. To be eligible for the coupon, consumers are required to buy both topping and ice cream.

Last year Smuckers offered one jar of its topping free with purchase of one jar, tied to a mail-in coupon.

Canned pudding represents the classic confrontation between convenience and price. The strong point of both 5-oz. and 303 size is ready-to-eat convenience. However, the per-serving cost of canned pudding is more than double that of dry mix.

The 5-oz. unit suffers from a much more pervasive handicap than the 303 because of the high cost of aluminum cans and the pop top.

Canned pudding does not score high on the nutrition scale, either. A nutritionist notes, "Pudding is a highly sugared snack with little nutritional value." And an exec with a major pudding manufacturer says sales are static because of the "proliferation of other desserts." What he doesn't say is that other convenience snacks, such as raisins, nuts and dried fruit, are considered more nutritious.

Still, taste and convenience are major factors. Michigan Canners, largest packers of canned pudding, has added a fifth custard item (egg custard) because, according to a company official, "It has superior taste, and people do not have the time to make custard at home."

The 5-oz. individual canned fruit line is hurting, too. The same marketing drawback affecting puddings is evident: price differential.

However, instead of competing with dry mix, fruits are price-comparing unfavorably with large sizes of canned fruit. Del Monte's 4-can pack of diced peaches totals 20 oz. and retails at 97¢, or 5¢ per ounce, while a 29-oz. size can of Del Monte sliced peaches (63¢) breaks out at slightly more than 2¢ per ounce.

The convenience aspect of the 5-oz. fruit can is somewhat blunted, too. Whereas the time spent in preparing dry mix vs. canned is considerable, the time spent in transferring canned fruit from a 29-oz. container to lunch-box-size is negligible.

In addition, canned fruit is packed in heavy syrup, which turns off sugar-watchers. □

Unit Movement

The following chart shows each dessert & topping category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Gelatin	375	42.91
Flavored	360	41.19
Unflavored	13	1.49
Drinks	2	0.23
Pudding & Pie Filling Mixes	327	37.41
Pudding & Pie Filling	157	17.96
Instant Pudding	133	15.22
Pie Filling	23	2.63
Refrigerated Pie Mixes	7	0.80
Egg Custard	7	0.80
Whipped Desserts	1	0.11
Topping Mixes	13	1.49
Prepared Toppings (Not Frosting)	43	4.92
Chocolate	30	3.43
All Other	13	1.49
Canned Puddings	21	2.40
Individual Servings Canned Pudding & Fruit	34	3.89
Rennet	3	0.34
Maraschino Cherries	31	3.55
Mince Meat	4	0.46
Tapioca (Dry)	9	1.03
All Other Desserts & Dessert Mixes	13	1.49
Total	874	100.00

Loyalists keep pickle sales afloat

What's a pastrami sandwich without a pickle? Mere filler, if we are to believe the truly dedicated pickle lover. It seems that afficionados of that crunchy cured cucumber are keeping the entire category out of—well, a pickle.

"I've talked with enough consumers to come to that conclusion," says Dennis Geraghty, product manager for H. J. Heinz Co. of Pittsburgh. "We think there's been a shakeout of marginal users, but there is a hardcore base of pickle junkies."

A little pickle history is in order. During the recession of 1974, the category dipped only about 5%, while others, including frozen foods, plummeted almost 25%. The pickle industry never really regained those customers, according to Geraghty, but instead built sales within the ranks of loyalists.

Consider this: The category has been almost flat in case volume over the last two years, although registering a 10% increase in sales on the strength of inflation. But the biggest sales gainers, according to industry sources, have been the most expensive pickles.

Refrigerated pickles in particular, which cost from 15¢ to 45¢ per quart more than the shelf-stable variety, continue to gain market share. That variety now accounts for 14% of the market.

At the same time, private label and generic label pickles are making some inroads on the more price-sensitive segment of consumers, but this variety is shopped more carefully.

In fact, pickle buyers tend to be fairly picky about quality, a factor that hurt movement last year. The industry is currently in the fourth year of a product evaluation that last year produced 1,100 pages of computer printout.

That evaluation reinforced a conclusion that many chain buyers had reached: Those companies with the highest-quality product were the ones whose sales had kept pace. This conclusion is also reflected in changes in the manufacturing process itself.

"People are looking for freshness of shelf pack," says Bill Moore of

Incidence of Purchase
(per 1,000 POS transactions)

Pickles	Unit sales	Dollar sales
1979	**23**	**$23.89**
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	**N/C**	+4

Source: TRIM Inc.

Pickles: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Pickles	**68.03**	**$263.31**	**$240.12**	**9.66**	**69.64**	**$ 74.38**	**66**	**28.2**
Dill	38.85	150.39	133.86	12.35	40.13	42.86	37	28.5
Sour	1.25	4.83	4.14	16.67	1.22	1.30	2	27.0
Sweet	22.26	86.16	82.80	4.06	22.75	24.30	22	28.2
All Other Pickles	5.67	21.93	19.32	13.51	5.54	5.92	5	27.0
Pickle Specialties & Relishes	**31.97**	**123.76**	**126.96**	**– 2.51**	**30.36**	**32.42**	**35**	**26.2**
Pimientos & Peppers	14.97	57.96	64.86	–10.63	14.06	15.01	18	25.9
Relishes	12.95	50.13	48.30	3.79	12.53	13.39	11	26.7
All Other Pickle Specialties	4.05	15.67	13.80	13.55	3.77	4.03	6	25.7
Total	**100.00**	**$387.07**	**$367.08**	**5.45**	**100.00**	**$106.81**	**101**	**27.6**

% of total store volume . . . 0.25%

Pickle Packers International, St. Charles, Ill. "Crispness is the No. 1 criterion, so manufacturers are going back to fresh pack." The fresh pack is not only crisper—more crunch for the buck—but lower in calories due to the production methods.

Currently, about 57% of all pickles produced are fresh pack. Processed accounts for 35%, and other methods comprise the remaining 8%.

Within the available varieties—there are 66 in the *CSA* warehouse sample—there are regional preferences. New Englanders seem to prefer spears, while Middle Atlantic residents like whole Kosher dill. Southeasterners have more of a hankering for salad cubes and sours. Overall, the kosher dills and hamburger dill slices were the only varieties with real gains last year, according to the packers.

Relish prices up: In relish categories, tight supplies will conspire to keep prices up, but if pork prices remain low, hotdog—and therefore relish—consumption could stay high. "The relish business is a high rolling game vacillating between black jack and Russian roulette," muses Geraghty. "Forty-five per cent of the business is done between mid-April and mid-June. You go in with a certain program and you either get the business or you don't."

But what continues to surprise the Heinz people as well as the rest of the industry is the relative strength of the pickle category even though shoppers are choosing purchases more carefully. Case volume through April had increased by 96,000 over the comparable period a year earlier, and sales were expected to remain strong through peak sales periods in late May and early June.

"It's a high flavor-orientation product that seems to defy the overall economic condition," says Geraghty, "It's an enigma."

"Those supers that continue to do the basics are getting the margins," says Moore. And the margins are getting better. Last year average gross margins inched up 2.7% to 28.2%. "We've got to come up with some ways to tell store managers that displays, especially near the deli section, are the answer."

Olives: Here's something to nibble on: per capita consumption of olives has risen 37½% over the last five years to 0.55 lb. per person in 1979, despite a lean crop in 1978.

There was nothing lean about gross margins last year, which climbed on average 2.3% and as much as 4% in a single category. The outlook for the current year is similar.

"Basically, I'd have to say that olives are still looking pretty good in spite of a fairly obvious reces-

Unit Movement

The following chart shows each olives/vinegar category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Olives	**212**	**65.23**
Green, Ripe, Whole, Pitted [Canned]	28	8.62
Black, Ripe, Whole, Pitted	86	26.45
Green, Pimiento—Stuffed	52	16.00
Green, Unstuffed, Whole, Pitted	10	3.08
All Other Olives	36	11.08
Vinegar	**113**	**34.77**
White, Distilled	51	15.69
Cider	28	8.62
Wine & Herb	34	10.46
Total	**325**	**100.00**

sion," says Bill McFarland of the California Olive Industry and president of Early California Foods.

The good part is that supplies, of both domestic and imported olives, should be more than adequate for the rest of the year, particularly in the peak-demand period around the holidays.

In fact, California reported its largest crop ever, 126,000 tons through the period ending last September. In Europe, the Green Olive Trade Association reports that supplies are in "pretty good condition."

"Quality this year is very good," said a spokesman for the group, "and there are more olives this year than last." The only hitch in the Spanish market is that despite the good supply, prices will remain at higher levels.

The Spanish Government, which controls the industry, has set minimum prices it will accept for olives, 75% of which go to retail. Despite the prices, the spokesman says, "Sales are keeping up, and most packers are busy."

Spanish packers are keeping busy with stuffed greens and the manzanillo variety. In the United States, pitted categories have risen dramatically, with pitted whole green olives showing a 36% increase over the previous year. Chopped and sliced olives have also shown good movement, according to the canners, and now account for about 10% of the category at retail.

On both sides of the Atlantic there is optimism that sales this year could outstrip inflation. The industry is worried about buyer sensitivity—lumping the product into the impulse (or, in inflationary times, nonimpulse) category and cutting back inventories and displays.

"It's probably less of a luxury category than most buyers think it is," says McFarland. Although olive sales peak in November and December, the industry is trying to dispel the holiday-only myth. "We're trying to solicit cooperation for getting olives out more frequently in the off-holiday season. Almost anytime they're stacked we get good results."

In one industry test, ripe olive sales increased by a minimum of 124% when mass-displayed.

One of the best-kept secrets of the grocery department may be the vinegars, which last year jumped an aggregate 20.33%. "Vinegars run countercyclical to the economy," explains a spokesman for one of the leading manufacturers.

"When the economy goes sour, more people go to home gardening and subsequently canning and pickling." The spokesman also said that the natural foods kick has turned some consumers away from bottled salad dressing to vinegar and oil.

Consumers are also rediscovering the product's old-fashioned 1,001 uses reputation. White vinegar continues to be the strongest seller, largely due to the higher price of apple, wine and herb vinegar. ☐

Incidence of Purchase
(per 1,000 POS transactions)

Pickle specialties	Unit sales	Dollar sales
1979	**8**	**$6.08**
Update '80 **(% change*)** **1st qtr. '80 vs. 1st qtr. '79** *Rounded to nearest whole number	**N/C**	+7

Source: TRIM Inc.

Olives & Vinegar: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Olives	**71.04**	**$203.66**	**$184.92**	**10.13**	**74.69**	**$59.17**	**33**	**29.1**
Green, Ripe, Whole, Pitted [Canned]	0.73	2.10	2.00	5.00	0.80	0.63	6	30.1
Black, Ripe, Whole, Pitted	28.74	82.40	72.52	13.62	27.78	22.00	5	26.7
Green, Pimiento-Stuffed	23.44	67.20	66.24	1.45	26.12	20.70	13	30.8
Green, Unstuffed, Whole, Pitted	6.56	18.80	13.80	36.23	7.69	6.09	3	32.4
All Other Olives	11.57	33.16	30.36	9.22	12.30	9.75	6	29.4
Vinegar	**28.96**	**83.03**	**69.00**	**20.33**	**25.31**	**20.06**	**18**	**24.2**
White, Distilled	12.02	34.47	27.60	24.89	10.48	8.31	6	24.1
Cider	7.65	21.93	19.32	13.51	6.53	5.18	5	23.6
Wine & Herb	9.29	26.63	22.08	20.61	8.30	6.58	7	24.7
Total	**100.00**	**$286.59**	**$253.92**	**12.91**	**100.00**	**$79.23**	**51**	**27.6**

% of total store volume . . . 0.18%

Marketers move to head off slump

Marketers accustomed to the public's seemingly insatiable appetite for candy and gum got a taste of what strident criticism and soaring prices can do to an otherwise healthy category.

Despite a flurry of activity surrounding a string of new product introductions, overall dollar volume in supermarkets edged up less than 10% last year. The category's plight is harshly reflected in its contribution to total store volume, which declined for the third straight year.

Most of the real growth had been coming from the gum segment, spurred by the phenomenal sales success of sugarless items through the mid-70's. Movement softened in '78, when manufacturers decided to switch from saccharin to an inferior—but potentially less risky—sweetening agent. Last year the sugarless market felt the full impact of the changeover, slipping 3% in supermarket sales.

The candy industry did get a reprieve of sorts when the Bureau of Census disclosed in December that it has inadvertently underestimated sales for the past two years by at least 15%. But not everyone in the candy business let out a sigh of relief.

Several candy manufacturers side with industry observers who caution that sales and per capita consumption are still below satisfactory levels.

Their main concern: The sudden improvement in sales figures could lull candy manufacturers into an unhealthy state of complacency.

Deeper shortcomings: That's too bad, say observers, because the upward revisions don't offset the category's deeply rooted ailment: the consumer's negative image of the product.

Adds the confectioner, "Manufacturers have been so busy focusing on their individual market shares, they've neglected the wave of criticism directed against candy."

There are signs of change. Manufacturers are mounting collective efforts to counter the claims by nutritionists against their products. "Any food item can be incorporated into a sound diet—and that includes candy," says Helen La Pat Smith of the National Confectioners Association, which is in the forefront of the battle to stem adverse publicity.

But even if they're successful in shedding the negative image, other obstacles confront candy marketers. Steadily rising commodity prices and the higher costs of packaging, labor and distribution, for instance, have catapulted the standard 20¢ candy bar to a quarter.

Similarly, many manufacturers are transforming the traditional 6-pack into a slimmer 4-pack in an effort to keep the retail price under a dollar for as long as possible.

The candy category, of course, did have its share of hot items last year. Most notable were the gains

Incidence of Purchase
(per 1,000 POS transactions)

Gum	Unit sales	Dollar sales
1979	67	$22.00
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	+10	+14

*Rounded to nearest whole number

Source: TRIM Inc.

made by the sugarless segment of the hard roll candy and mint market, which has prospered at the expense of the sugar segment.

Life Savers, which holds a commanding lead in its segment of the market, sought to further its hold by rolling out Breath Savers, a sugarless breath mint. On the heels of the entry's success, several Life Saver rivals have launched comparable candies to capitalize on the category's current sales spurt.

Strong ally: Nonetheless, candy manufacturers are singing the blues over the category's dismal performance. But it's not a solo act. Food retailers, who've historically benefited from candy's well-above-average gross margins and equally high turn rate, got less than they bargained for last year.

Yet while retailers can't do much to alleviate rising prices or poor publicity, a growing number are boosting volume by tailoring their merchandising to fit changing buying patterns.

Says the candy merchandiser for a major Midwest chain, "Consumers may be price-conscious, but they're equally concerned with quality. Shoppers—in my stores, anyway—are showing a strong preference for a select line of chocolate, so we've stocked the shelves to reflect this."

Chocolate has, in fact, enjoyed a considerably higher acceptance level than non-chocolate among nutrition-minded consumers. But whatever the preference, the point is that a proper mix is essential to maximizing sales. With the typical supermarket today stocking over 600 separate candy items, efficient product rotation has never been more critical.

At the same time, candy merchandisers are witnessing increased sales by featuring candy more prominently during expanded holiday promotions—those times of the year when consumers appear to spend more freely on candy.

Moreover, off-shelf display vehicles placed strategically throughout

Candy & Gum: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Holiday Specials	4.36	$ 81.46	$ 71.76	13.52	4.84	$ 28.59	92	35.1
Bar Candies	23.79	444.57	445.74	– 0.25	21.02	124.33	114	28.0
Large Sizes	5.55	103.69	88.32	17.40	4.70	27.79	17	26.8
Chocolate, Multi-Packs	9.28	173.71	165.60	4.90	7.93	46.90	41	27.0
Chocolate, Singles	1.74	32.44	30.36	6.85	1.91	11.29	27	34.8
Other Bars, Multi-Packs	6.21	115.93	136.62	–15.13	5.39	31.88	16	27.5
Other Bars, Singles	1.01	18.80	24.84	–24.31	1.09	6.47	13	34.4
Gum	18.35	342.60	332.58	3.01	21.48	126.90	101	37.0
Regular	6.51	121.64	125.40	– 2.99	7.29	43.06	49	35.4
Sugarless	5.15	96.09	94.48	1.70	5.97	35.27	37	36.7
Bubble Gum	6.69	124.87	112.70	10.80	8.22	48.57	15	38.9
Hard Candies	7.81	145.69	124.20	17.30	8.79	51.95	66	35.7
Roll Candies	2.60	48.56	38.64	25.67	3.19	18.84	16	38.8
Lollipops	1.43	26.63	19.32	37.84	1.57	9.27	13	34.8
All Other Hard Candies	2.35	43.87	41.40	5.97	2.43	14.39	24	32.8
Cough Drops	1.43	26.63	24.84	7.21	1.60	9.45	13	35.5
Peanut Candies	3.86	72.06	49.68	45.05	3.46	20.47	20	28.4
Plain & Coated, All-Chocolate	10.35	193.27	133.86	44.38	9.08	53.64	31	27.8
Plain	5.96	111.23	62.10	79.11	5.18	30.59	15	27.5
Coated	4.39	82.04	71.76	14.33	3.90	23.05	16	28.1
All Other Chocolate-Coated Candies	4.11	76.76	69.00	11.25	3.73	22.03	19	28.7
Candy Mints	5.71	106.53	88.32	20.62	5.66	33.45	31	31.4
Breath Mints	2.94	54.83	46.92	16.86	3.62	21.38	22	39.0
Caramel, Taffy, Molasses, Fudge, etc.	3.36	62.66	73.14	–14.32	3.29	19.43	24	31.0
Jellies	2.52	47.00	31.74	48.08	2.52	14.90	17	31.7
Licorice	1.51	28.20	20.70	36.23	1.49	8.83	14	31.3
Marshmallows & Marshmallow Candy	2.52	47.00	42.78	9.86	2.84	16.78	10	35.7
Popcorn Candy & Popcorn Kernels	4.36	81.46	80.04	1.77	3.85	22.73	15	27.9
All Other Candies	4.45	83.03	89.70	– 7.43	4.33	25.57	56	30.8
Total	100.00	$1,867.12	$1,700.16	9.82	100.00	$590.97	632	31.7

% of total store volume . . . 1.19%

the store have become increasingly prevalent as retailers capitalize on the high promotability factor of candy.

And the front end, where impulse sales dominate, is turning into the hottest location for small-size candy.

Gum's new image: If gum manufacturers have their way, it could get very crowded at the front end. "In 1980," suggests the marketing vice president for a major gum company, "the checkout area is where it's all going to come together for our products."

Retailers hope he's right, considering the sticky situation gum faced in '79 when sales in supermarkets ended up virtually flat. The only aura of excitement came from the bubble gum segment, which overtook both regular and sugarless as the department's leader.

Led by Life Savers' Bubble Yum, bubble gum recorded the only meaningful increase in supermarket dollar volume. Gum marketers, determined to revive stagnant sales for the overall category, are now intensifying their advertising and promotional efforts.

Life Savers, which already markets the leading sugarless gum, Care*Free, hopes to stem a declining sugarless market with its newest entry, Supradent.

Besides a hefty advertising budget and introductory trade allowances, the new gum is counting on saccharin for its sales thrust. After a two-year respite, Life Savers believes consumers will opt for better taste over health warnings.

But the Life Saver move prompted a quick countermeasure by Warner-Lambert, whose American Chicle subsidiary markets archrival Trident. Citing a "serious concern" that Life Savers will market a sugarless gum with saccharin, Warner-Lambert says it's applying stickers to Trident packages claiming it "contains no saccharin."

While the reason given for its actions revolves around the similar packaging of the two products, some industry observers feel it's also aimed at blunting the impact of Supradent.

New look? In light of today's more selective shopper, candy sections may get face lifts as candy merchandisers start trading variety for quality. At the same time, retailers will be relying more heavily on those manufacturers who provide in-store support functions.

"The move now is to take advantage of every conceivable service candy manufacturers have to offer," says the head buyer for a Northeast food chain. "We'll promote the category as best we can. Believe me, the last thing we want to see is the growth of candy and gum sales in convenience stores—at the supermarket's expense." □

Incidence of Purchase

(per 1,000 POS transactions)

Candy, bagged & boxed	Unit sales	Dollar sales
1979	**81**	**$65.28**
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	+15	+1

*Rounded to nearest whole number

Source: TRIM Inc.

Unit Movement

The following chart shows each candy & gum category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Holiday Specials	81	2.74
Bar Candies	629	21.27
Large Sizes	97	3.28
Chocolate, Multi-Packs	153	5.18
Chocolate, Singles	247	8.35
Other Bars, Multi-Packs	69	2.33
Other Bars, Singles	63	2.13
Gum	906	30.62
Regular	442	14.94
Sugarless	359	12.13
Bubble Gum	105	3.55
Hard Candies	320	10.81
Roll Candies	125	4.22
Lollipops	77	2.60
All Other Hard Candies	65	2.20
Cough Drops	53	1.79
Peanut Candies	63	2.13
Plain & Coated, All-Chocolate	195	6.58
Plain	77	2.60
Coated	54	1.82
All Other Chocolate-Coated Candies	64	2.16
Candy Mints	127	4.29
Breath Mints	153	5.17
Caramel, Taffy, Molasses, Fudge, etc.	82	2.77
Jellies	63	2.13
Licorice	45	1.52
Marshmallows & Marshmallow Candy	79	2.67
Popcorn Candy & Popcorn Kernels	94	3.18
All Other Candies	122	4.12
Total	2,959	100.00

Sugar prices head sky-high

THAN
Domino
GRANULATED
SUGAR
Baker's
Angel Flake
Coconut
cake mate

The most explosive story in the baking needs category was only a gloomy prediction in 1979. But by this spring, the prediction was rapidly coming true: The price of sugar began heading skyward at a supersonic speed. It is unlikely, however, that prices will soon reach the $5-lb. level they did a few years back.

Droughts and plant disease in a number of sugar cane and sugar beet-producing countries are to blame for the possibility that world production of sugar will fall short of world consumption estimates, analysts say. Though that hasn't happened in seven years, its likelihood this summer is so great that sugar commodity prices had nearly doubled by midspring over comparable figures for last year, breaking a five-year record.

For supermarketers, that means dramatic price hikes and the strong possibility of retailing the sweet stuff below its cost. It means sugar promotions are out; consumer—and retailer—anger is in. One leading supermarket chain, 153-unit Stop & Shop of Boston, mounted a campaign to convince consumers to boycott sugar as early as March. It renewed the call in May, and other supermarketers were considering similar action.

The volatile situation stands out even more sharply because of the sluggish performance of the rest of the baking needs category, where the performance-chart line ambled along, flat and peaceful, for most of 1979. That wasn't necessarily bad; the category had slipped badly in 1976-77, dropping nearly 10% in contribution to store volume alone. It has held steady, with no further slips, ever since. In terms of contribution to volume, baking needs turned in 2.27% in 1977, 2.2% in 1978 and 2.26% last year.

Overall sales gains last year reached slightly above the inflation rate, but tonnage remained relatively flat, dipping a percentage point or so in some broad categories. By the end of the year, however, the picture brightened considerably. Items like cake mixes, oil and certain kinds of flour were building up steam.

Cake mixes: The cake mix category followed that general trend. Adjusted to a standard base to account for size differences in individual items (one-layer and two-layer cakes, for instance), mixes were down about 1% in tonnage through most of 1979. They've experienced good growth since then, however, scoring a 15% tonnage increase in some two-month periods.

Why the shifts? Observers offer a variety of reasons. The cake mix category as a whole has been flat or declining for several years as desserts have been losing popularity. Then there's the economy and its effect on shoppers' buying habits.

Last year, there was something else, too: Price tags on layer cake mixes passed the $1 mark. Initially, consumers viewed them as too expensive and dropped them from

Incidence of Purchase
(per 1,000 POS transactions)

Cake & cookie mixes	Unit sales	Dollar sales
1979	38	$33.04
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+8	+11

Source: TRIM Inc.

their shopping lists. But then came the rebound. At deal time, supermarkets featured cake mixes in promotions for 79 or 89 cents. Shoppers perceived that as a fine value, and sales and movement went up.

The "big three" of cake mixes continued to dominate the two-layer-mix segment, which accounts for nearly two-thirds of all mix sales. Their relative positions remained the same, but all lost some business—an indication that private label and generic mixes are making inroads into the fiercely competitive market. Duncan Hines kept its traditional No. 1 spot, accounting for some 27% of the market. Betty Crocker was No. 2, with a 17% share, and Pillsbury posted a 12% share. The figures are sure to change somewhat this year, however; Betty Crocker, for one, has gained in the layer cake market.

The other end of the cake mix market is filled with a variety of different-style products, and no manufacturer seems to capture more than 8% with any one item. The category includes some lines that were heralded as innovations when first introduced a few years ago but that proved to have a relatively short-lived impact. One-layer snacking cakes, many feel, haven't lived up to their initial promise.

Baking Needs: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Sugar	**17.58**	**$ 621.94**	**$ 524.40**	**18.60**	**9.54**	**$ 60.59**	**17**	**9.7**
Granulated	14.57	515.41	419.52	22.86	6.41	40.72	8	7.9
Confectioners	1.15	40.73	40.02	1.77	1.12	7.09	2	17.4
Brown	1.59	56.40	52.44	7.55	1.67	10.60	5	18.8
All Other Sugar	0.27	9.40	12.42	−24.31	0.34	2.18	2	23.2
Flour	**13.90**	**491.91**	**473.34**	**3.92**	**12.64**	**80.30**	**31**	**16.3**
White	9.52	336.82	329.82	2.12	8.54	54.23	16	16.1
Self-Rising	1.15	40.73	37.26	9.31	0.85	5.42	2	13.3
Cornmeal	1.68	59.53	57.96	2.71	1.98	12.56	6	21.1
All Other Flour	0.80	28.20	24.84	13.53	0.83	5.30	5	18.8
Unbleached	0.75	26.63	23.46	13.51	0.44	2.80	2	10.5
Oil & Shortening	**25.98**	**918.03**	**796.26**	**15.29**	**24.60**	**156.33**	**52**	**17.0**
Cooking & Salad Oils	19.96	704.97	583.74	20.77	20.74	131.83	45	18.7
Shortening	6.02	213.06	212.52	0.25	3.86	24.50	7	11.5
Baking Chocolate	**1.11**	**39.17**	**33.12**	**18.27**	**1.41**	**8.97**	**4**	**22.9**
Chips, All Flavors	**5.36**	**189.56**	**176.64**	**7.31**	**6.12**	**38.86**	**10**	**20.5**
Cocoa	**0.84**	**29.77**	**30.36**	**− 1.93**	**1.08**	**6.85**	**3**	**23.0**
Stuffing Mixes, Crumbs, Croutons, etc.	**5.40**	**191.13**	**162.84**	**17.37**	**7.19**	**45.68**	**34**	**23.9**
Coconut, All Types	**1.02**	**36.03**	**30.36**	**18.68**	**1.49**	**9.44**	**7**	**26.2**
Cake Frosting—Canned	**1.99**	**70.50**	**49.68**	**41.91**	**2.51**	**15.93**	**12**	**22.6**
Cornstarch	**0.27**	**9.40**	**6.90**	**36.23**	**0.35**	**2.24**	**1**	**23.8**
Cake & Cookie Decorations	**1.62**	**57.20**	**43.76**	**30.71**	**3.48**	**22.08**	**25**	**38.6**
Dry Yeast	**0.66**	**23.50**	**15.18**	**54.81**	**1.10**	**7.00**	**2**	**29.8**
Misc. Baking Needs	**1.95**	**68.93**	**52.44**	**31.45**	**2.74**	**17.37**	**15**	**25.2**
Cake Mixes	**9.83**	**347.78**	**320.16**	**8.63**	**10.68**	**67.76**	**67**	**19.5**
Angel Food	0.35	12.53	11.04	13.50	0.47	2.98	3	23.8
Chocolate & Devil's Food	2.83	100.26	84.18	19.10	3.05	19.35	18	19.3
Spice, Gingerbread, Applesauce	0.53	18.80	22.08	−14.85	0.62	3.95	4	21.0
White	0.89	31.33	23.46	33.55	1.07	6.77	6	21.6
Yellow, Golden	2.17	76.76	63.48	20.92	2.08	13.20	9	17.2
All Other Cake Mixes	3.06	108.10	115.92	− 6.74	3.39	21.51	27	19.9
Other Mixes	**12.49**	**441.79**	**401.58**	**10.01**	**15.07**	**95.64**	**85**	**21.6**
Muffins, Sweet Breads/Rolls	2.26	79.90	63.48	25.87	2.92	18.54	13	23.2
Bread, Biscuits, Cornbread	2.44	86.16	74.52	15.62	2.58	16.37	13	19.0
Brownies, Cookies, Bars	3.28	115.93	126.96	− 8.68	4.00	25.39	20	21.9
Pancakes	1.77	62.66	55.20	13.51	2.19.	13.91	18	22.2
Pie Crusts	0.71	25.07	16.56	51.39	0.96	6.12	5	24.4
Cake Frosting Mix	1.59	56.40	53.82	4.79	1.95	12.35	14	21.9
All Other Misc. Mixes	0.44	15.67	11.04	41.94	0.47	2.96	2	18.9
Total	**100.00**	**$3,536.64**	**$3,087.06**	**14.56**	**100.00**	**$635.04**	**365**	**18.0**

% of total store volume . . . 2.26%

Diet cakes, introduced two years ago, never caught on.

Standouts do exist. Pillsbury's custard-base mix is one strong performer. Duncan Hines' pudding-base mix is another. New bundt cake mixes did well for Pillsbury, and some streusels performed relatively well. Even Betty Crocker's Snackin' Cake and Stir 'n Frost mixes, though they may not have reached the goals originally set for them, still account for about 4% of the market each.

The future? Manufacturers don't like to spoil the impact of new product introductions by talking about them prematurely. But observers see a continuing trend toward more convenient products, more one-step mixes. Quality should continue to improve, and the emerging popularity of microwave ovens should attract more products—including mixes—specially geared for them.

Oil and flour: Flour has experienced steady, though not spectacular, growth since the spring of 1979. The real gainers were dark (rye, whole wheat and the like) flours and a new introduction, bread flours. Each category appeared to benefit from the increased concern with nutrition and cutting down on meat-protein consumption.

Pillsbury, the country's No. 2 flour producer (it and leader General Mills together sell some 60% of the flour shoppers buy), led with the bread flour, a product that needs only leavening and water to be added by the at-home baker. General Mills followed suit with its version.

A related product that experienced its second straight year of record growth is yeast. Originally sold in cubes from the dairy department, which had the refrigerated cases it needed, yeast in powdered form is now a strong mover in the baking needs section. Resurgence in home baking spurred sales volume increases of 48.9% in 1978 and a whopping 54.8% last year.

The oil category experienced both sales and tonnage increases last year. Sales were up 15.3%, and tonnage rose 4%. On a national basis, Procter & Gamble's Crisco oil led with a 24.6% share. Former top-ranked Wesson came in second, with 21.3%. Best Foods' Mazola took in 15.3% of national sales; Hunt-Wesson's Sun Lite sunflower oil had 5.9%; and P&G's Puritan had 5.7%.

The surprise is the lack of growth by the latter two products, widely touted for their health advantages. Puritan was the first on the market, and its height reached an 8.5% share. Hunt-Wesson's entry was the subject of an aggressive promotional campaign when it was first rolled out, and passed Puritan by a slim lead last year. But the established oils remain the consumers' favorites by far. One veteran analyst sees it as a matter of more publicity about nutrition than commitment to it.

"There's a lot of talk about lifestyle and health advantages," he says. "But if it was all that significant, peanut oil would have taken off years ago."

Meanwhile, in oil's sister category, shortening, tonnage was down about 1%. The market, however, has been fairly stable for several years. Crisco, the original vegetable-based shortening introduced in 1912, remains the market leader with nearly 60% of sales. ☐

Unit Movement

The following chart shows each baking needs category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Sugar	458	17.13
Granulated	303	11.33
Confectioners	63	2.36
Brown	82	3.07
All Other Sugar	10	0.37
Flour	242	9.05
White	167	6.25
Self-Rising	15	0.56
Cornmeal	34	1.27
All Other Flour	14	0.52
Unbleached	12	0.45
Oil & Shortening	464	17.33
Cooking & Salad Oils	358	13.37
Shortening	106	3.96
Baking Chocolate	17	0.64
Chips, All Flavors	101	3.78
Cocoa	18	0.67
Stuffing Mixes, Crumbs, Croutons, Etc.	185	6.92
Coconut, All Types	32	1.20
Cake Frosting—Canned	56	2.09
Cornstarch	16	0.60
Cake & Cookie Decorations	12	0.45
Dry Yeast	99	3.70
Misc. Baking Needs	107	4.00
Cake Mixes	348	13.03
Angel Food	9	0.34
Chocolate & Devils Food	105	3.93
Spice, Gingerbread, Applesauce	17	0.64
White	36	1.35
Yellow, Golden	89	3.33
All Other Cake Mixes	92	3.44
Other Mixes	519	19.41
Muffins, Sweet Breads/Rolls	158	5.91
Bread, Biscuits, Cornbread	115	4.30
Brownies, Cookies, Bars	81	3.03
Pancakes	61	2.28
Pie Crusts	34	1.27
Cake Frosting Mix	58	2.17
All Other Misc. Mixes	12	0.45
Total	**2,674**	**100.00**

'Value' products post largest gains

Paper, film and foil racked up solid gains last year in both sales and unit movement, but brands played a secondary role in the advance. Behind the 16.5% sales hike and the 3%-4% overall growth in tonnage lies a burgeoning trend toward the "value" product—the secondary label, private label or generic item that consumers seem to feel gives them the most for their money.

"Our value lines are doing better," says an executive at one paper-producing firm. "We see a trend toward the consumer looking for more value. She's taking a much more aggressive look at the market; she's read the papers and finally realized there's a recession on."

Indeed, generic paper items are among the hottest-moving categories in the whole no-brand field, although retailers and manufacturers argue over exactly what that means. According to Selling Areas Marketing Inc. (SAMI), paper towels, toilet tissue, paper napkins and facial tissue were four of the eight most active items in the generic nonfoods category in November 1979. In SAMI's constant base universe between four-week periods tracked in November 1978 and November 1979, household plastic bags showed the highest increase in generic nonfood's unit volume, 47%. Next came paper towels, with a 33.8% unit volume increase. Paper and plastic plates showed a 26% increase; paper napkins, 20.1%; facial tissue, 14.5%, and toilet tissue, 10.2%. Only one item in the paper,

Incidence of Purchase
(per 1,000 POS transactions)

Paper towels	Unit sales	Dollar sales
1979	103	$67.22
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+8	+11

Source: TRIM Inc.

film and foil category showed a decrease—generic aluminum foil fell by 22.7%.

Then again, say some national manufacturers, figures can be misleading. Even with the remarkable growth, one executive says, generics still account for only 6% of the market in paper towels, 4.7% of the market in toilet tissue and 4% in facial tissue.

"When an item is for personal use, people are not as willing to switch to a generic," he says. "Generic paper towels are okay for wiping up a spill, but consumers aren't as willing to use a generic facial tissue on their faces."

Generics notwithstanding, most paper items still surged last year for the leading national manufacturers, including Kimberly-Clark, Scott and Procter & Gamble. While discount stores continued to present a threat to supermarkets in terms of distribution, the food outlets held the upper hand.

The total paper towel market approached $1 billion in sales, some 86% of which came in supermarkets. Nearly all lines performed well. The action, however, began to come late in the year in the "super towels" department led by Procter & Gamble's Bounty, Scott's Viva and Kimberly-Clark's Teri. American Can, ballyhooing a new manufacturing process, rolled a fresh entry, Bolt, into regional markets with a heavy promotional campaign. Initial results pleased the company.

Foil: Aluminum foil led the way in the wrap category, with some $345 million in total retail sales, up from about $335 million the previous year. Tonnage increased 4%-5%, and observers noted some fluctuation in the different sizes favored by consumers.

"Mrs. Housewife is really becoming more price-sensitive, more sensitive to yield," says one observer, explaining why higher-footage rolls performed well in some geographic areas.

Some 15% to 20% of the alumi-

Incidence of Purchase
(per 1,000 POS transactions)

Bags, plastic & paper	Unit sales	Dollar sales
1979	**36**	**$44.79**
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+6	+11

Source: TRIM Inc.

Paper/Film/Foil: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Freezer Items	0.48	$ 20.37	$ 16.56	23.01	0.87	$ 7.48	8	36.7
Lunch & Sandwich-Size Bags	2.41	101.83	93.84	8.51	3.14	27.09	10	26.6
Plastic	1.67	70.50	64.86	8.70	2.21	19.04	7	27.0
Paper	0.74	31.33	28.98	8.11	0.93	8.05	3	25.7
All Other Size Bags	13.69	576.51	448.50	28.54	18.49	159.25	48	27.6
Paper	0.22	9.40	8.28	13.53	0.45	3.86	1	41.1
Plastic	13.47	567.11	440.22	28.82	18.04	155.39	47	27.4
Roasting Bags & Wrap	0.15	6.27	5.52	13.59	0.18	1.53	2	24.4
Plastic Wrap	1.64	68.93	62.10	11.00	1.99	17.16	8	24.9
Aluminum Foil Wrap	5.95	250.66	219.42	14.24	5.47	47.12	11	18.8
Wax Paper	0.60	25.07	22.08	13.54	0.61	5.22	1	20.8
Facial Tissue	10.20	429.15	422.28	1.63	9.27	79.82	20	18.6
Toilet Tissue	26.55	1,116.99	954.96	16.97	20.62	177.60	28	15.9
Paper Towels	20.66	869.47	741.06	17.33	16.35	140.85	27	16.2
Wet Napkins	0.48	20.37	19.32	5.43	0.64	5.54	4	27.2
Napkins	6.40	269.46	238.74	12.87	6.63	57.13	20	21.2
Paper Table Accessories	0.07	3.13	1.38	126.81	0.11	0.99	2	31.5
Plates & Bowls	5.17	217.76	184.92	17.76	7.66	65.98	32	30.3
Cups & Refills & Plastic Glasses	4.69	197.39	160.08	23.31	6.65	57.24	33	29.0
All Other Paper & Household Wrap Supplies	0.86	36.03	23.46	53.58	1.32	11.35	10	31.5
Total	100.00	$4,209.39	$3,614.22	16.47	100.00	$861.35	264	20.5

% of total store volume . . . 2.68%

num foil business came in discount and other nonfoods stores. But, say observers, the discounters most often will lead with items like aluminum foil, selling two or three rolls for a certain price. Thus, discounters' sales figures are likely to be somewhat lower than those of supermarkets, while their unit figures will tend to be a bit higher.

Flatter than the proverbial pancake in terms of tonnage was the standby of another generation, wax paper: "It's a good product, but one that certainly is not going anywhere," one Midwestern chain buyer says. The category has declined slightly each year for a number of years. A slight upturn in units was posted last year, but the increase came more from a switch from 125-ft. rolls to 100-ft. rolls rather than any real surge in movement.

Secondary and private label, generics are hot as shoppers try to stretch their dollars

Plastics: The plastic wrap category, meanwhile, held fairly static. Its sales volume in supermarkets increased some 11% during 1979, to $68.9 million, but overall retail sales fell marginally, from about $87 million in 1978 to $86 million last year. Tonnage was relatively stable, with the category posting marginal gains at best. Plastic wrap's primary problem, trade sources say, is not consumer acceptance but the effect of price increases on its raw material, petroleum-based products.

Plastic food bags showed more promising results, although performance could have been hindered by retail prices. The category's sales volume increased by 8.5% in supermarkets and slightly better overall; tonnage inched ahead by a percentage point or so.

The real power in plastic was the large, trash-bag-style category. In terms of national sales, trash bags racked up $654 million, nearly 10% higher than its $606 million tally for 1978. The category has been a favorite target of discount stores and similar outlets because of the strong demand. The large plastic bags are cross-merchandised with a variety of items, ranging from trash barrels to rakes and fall-cleaning products.

Many retailers and manufacturers point to the obvious convenience aspects of the bags when describing why they are so popular. A few, however, take a more jaundiced view. Many communities, they say, have passed legislation requiring residents to use large plastic bags for trash pickups.

At the same time, paper bags of all sizes remained static in both tonnage and real sales growth. While the category has shown no genuine improvement for the last five years, observers say it hasn't shown any real decline, either. There's still a sizable proportion of the population, for instance, that likes to take lunch to work or school in paper bags.

Manufacturers, retailers and observers are cautiously optimistic about the future. They're cautious because they say more care must be taken in pinpointing various markets and meeting the needs of those special segments. "You can't just put out a product any more and hope it sells," says one manufacturer. "You've got to know who is likely to buy it and why. And you've got to promote it carefully and effectively."

At the same time, the threatening clouds on the economic horizon spark optimism about improvement in several subcategories. Some products have already shown improvement; other, observers say, will benefit next year. Freezer paper, for instance, showed steady growth last year as more consumers turned to home gardening to help cut food bills. Paper plates, cups and table accessories showed vigorous growth, and manufacturers hope for more as consumers keep turning back to cooking and entertaining at home. Oven bags, which dropped precipitously in performance a few years ago, and then held fast in the sales-and-tonnage basement, may have a promising future if consumers can be convinced that it's more economical to buy and cook large cuts of meat.

And, at the higher end of the income scale, microwave ovens could bring a variety of new specialty items into the market.

For supermarketers, that's a promising picture. But, observers warn, they must stay on their toes and guard food stores' share of the category from attacks by discount store operators and others. ☐

Unit Movement

The following chart shows each paper/film/foil category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Freezer Items	14	0.32
Lunch & Sandwich Size Bags	121	2.74
Plastic	79	1.79
Paper	42	0.95
All Other Size Bags	366	8.28
Paper	47	1.06
Plastic	319	7.22
Roasting Bags & Wrap	6	0.14
Plastic Wrap	64	1.45
Aluminum Foil Wrap	216	4.89
Wax Paper	33	0.75
Facial Tissue	617	13.96
Toilet Tissue	1,183	26.75
Paper Towels	1,044	23.63
Wet Napkins	13	0.29
Napkins	347	7.85
Paper Table Accessories	2	0.05
Plates & Bowls	166	3.76
Cups & Refills & Plastic Glasses	183	4.14
All Other Paper & Household Wrap Supplies	44	1.00
Total	4,419	100.00

Soaps, detergents pace steady sales

Like Old Man River, the powerful, $5.6 billion household supplies category just keeps rolling along.

Buoyed by the soaps and detergents subcategory, which has accounted for slightly more than 50% of sales since 1975, household supplies continue to rack up 1% to 2% gains in tonnage year after year. Last year was no exception. The reason the category doesn't show more dramatic growth—and the reason it is unlikely ever to show any dramatic drop—is that the market is pretty well saturated.

"Growth, particularly in this country, is almost directly tied to population growth," an executive at one manufacturing firm says. "There's almost 100% usage."

Adds an official at another producing company, "People aren't getting any dirtier, although there are seasonal fluctuations."

That's not to say there isn't fierce competition for market dollars and shelf space among leading manufacturers. There is. There also are noticeable shifts between different types of products within each subcategory. But the household supplies category as a whole is relatively stable and unfailingly solid, contributing about 3.5%-4% to overall store volume annually.

Laundry detergents, which account for more than two-thirds of the soaps and detergents subcategory, posted a 1% to 2% gain in units last year. Sales volume gains were much higher, ranging from 12% to more than 14%, but observers say price increases accounted for a sizable portion. The hikes, they say, primarily resulted from increases in the cost of raw materials, with other contributions made by higher labor and shipping costs.

Procter & Gamble's Tide maintained its longstanding leadership role, followed by the same firm's Cheer and Lever Brothers' All; all are powdered detergents.

Heavy-duty detergents showed 2% to 3% growth in 1979, although

Household Supplies: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Soaps & Detergents	51.14	$2,869.24	$2,496.42	14.93	40.81	$ 499.96	222	17.4
Laundry & Ironing Aids	14.80	830.47	738.28	12.49	13.76	168.89	134	20.3
Cleansers	17.96	1,007.34	880.82	14.36	20.84	255.30	176	25.3
Waxes & Polishes	4.18	233.69	213.90	9.25	5.75	70.43	80	30.1
Cleaning Implements	5.94	333.70	253.92	31.42	9.89	121.22	95	36.3
Miscellaneous HHS	5.98	335.60	275.46	21.83	8.95	109.84	110	32.7
Total	100.00	$5,610.04	$4,858.80	15.46	100.00	$1,225.24	817	27.0

% of total store volume . . . 3.57%

Incidence of Purchase
(per 1,000 POS transactions)

Bar soap	Unit sales	Dollar sales
1979	**105**	**$50.77**
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	**N/C**	**+6**

Source: TRIM Inc.

their cumulative record over the past few years has been more impressive. They now account for about 25% to 30% of the market. In the liquid segment, Lever Brothers' Wisk, the original entry, maintained its top ranking, followed by Procter & Gamble's Era and Colgate-Palmolive's Dynamo. Taken collectively, the three are about level with, or slightly ahead of, No. 2 powder Cheer, which is far overshadowed by Tide. A promotional battle between P&G and Lever Brothers kept the market hot, while the moves of Texize's Yes combination-purpose liquid into the East Coast, and Colgate-Palmolive's Fresh Start dry heavy-duty detergent nationally, rounded out the competitive picture.

Bar soap, meanwhile, stayed flat in terms of tonnage growth, although sales volume slightly outdistanced the inflation rate. That didn't mean, however, that things were quiet. The traditional market leaders—Armour-Dial (Dial, Tone), P&G (Ivory, Zest), Colgate-Palmolive (Irish Spring, Palmolive) and Lever (Lifebuoy, Lux)—have long fought over shares. Now they face a new entry, liquid soaps sold in pump bottles.

Yardley of London was the first to go national with a liquid, although trade reports say the product has had only marginal success. A small Minnesota company, Minnetonka, went national early this year with another version, Softsoap. The new line performed well in 18 months of testing; a yearlong trial in Minneapolis-St. Paul, for instance, showed Softsoap consistently ranking among the top six or seven bar soaps, behind Dial and Ivory but ahead of Irish Spring and Tone. Minnetonka officials predict sales of Softsoap could increase by 50% next year. Other companies are rumored to be considering similar entries.

(Not all new products meet their goals, however, as any marketing manager will admit. One example is children's bubblebath. Once a promising entry, the product peaked in supermarkets several years ago and

Soaps & Detergents: 1979 Performance—$1 Million Supermarkets

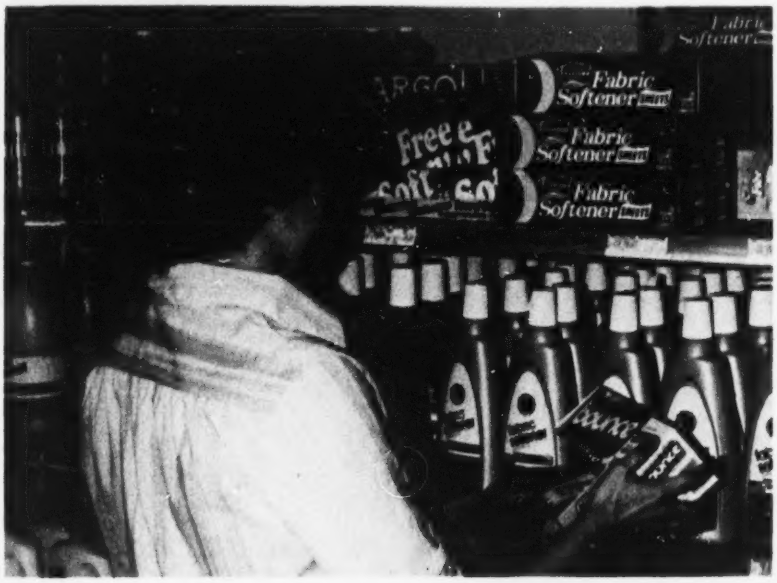
	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bar Soap	18.23	$ 523.25	$ 451.26	15.95	20.30	$101.47	61	19.4
Face Size	5.84	167.63	155.94	7.50	6.07	30.34	18	18.1
Bath Size	12.39	355.62	295.32	20.42	14.23	71.12	43	20.0
Hand Cleaners	0.22	6.27	4.14	51.45	0.31	1.56	2	24.8
Children's Bubble Bath	0.17	5.02	5.52	− 9.06	0.27	1.37	2	27.2
Soap Powders/Flakes/ Washing Sodas	1.37	39.17	23.46	66.97	1.25	6.23	3	15.9
Automatic Dishwasher Items	8.79	252.23	226.32	11.45	10.38	51.94	20	20.6
Detergents	8.41	241.26	213.90	12.79	9.84	49.22	18	20.4
Rinses	0.38	10.97	12.42	−11.66	0.54	2.72	2	24.8
Heavy-Duty Detergents	52.39	1,502.82	1,308.24	14.87	45.24	226.16	75	15.0
Tablets	0.16	4.57	8.28	−44.80	0.06	0.32	1	7.1
Powder, Controlled Suds	19.35	555.15	506.46	9.61	16.99	84.94	32	15.3
Powder, High Suds	21.63	620.38	517.50	19.88	16.64	83.13	24	13.4
Liquids	11.25	322.72	276.00	16.93	11.55	57.77	18	17.9
Light-Duty Detergents	17.09	490.35	437.46	12.09	19.91	99.55	53	20.3
Powder	1.09	31.33	24.84	26.13	1.09	5.45	3	17.4
Liquid	16.00	459.02	412.62	11.25	18.82	94.10	50	20.5
Laundry Bar Soaps	0.27	7.83	5.52	41.85	0.33	1.64	1	20.9
Special-Purpose Laundry Detergents	1.47	42.30	34.50	22.61	2.01	10.07	5	23.8
Total	100.00	$2,869.24	$2,496.42	14.93	100.00	$499.96	222	17.4

% of total HHS volume

has headed downhill ever since.)

Ups and downs: Much of the rest of the household supplies category is a combination of moderate declines and matching increases. One bright area is the fabric softener subcategory, which last year posted a 6% tonnage gain. The real growth here appears to be in dryer-type sheet softeners like P&G's Bounce and Calgon's Cling Free, although liquid fabric softeners have also done well. Liquid softener Downy, another P&G product, leads the field with about 30% of the market. Lever's Final Touch is the second-place liquid.

Posting a drop last year was the cleanser category, which declined about 5% in tonnage. Two liquid entries, P&G's Liquid Comet and Clorox's Soft Scrub, performed far below expectations, trade sources say. The traditional leaders, Comet (P&G), Ajax (Colgate-Palmolive) and various private labels, also lost somewhat in comparison to their performance in past years. The tally puzzled observers, although some suggested it could possibly be tied to a drop in housing construction. The performance of automatic dishwasher detergents, which some analysts also said could be related to housing construction, was off from its past track record, too, although it still posted a net gain.



Showing sizable growth, however, was the cleaning implement category, with an overall sales gain of 31.4% and above-average tonnage increases. Most of its items, by contrast, had dropped markedly in 1977. Brushes led in volume gains, with a 68% increase, followed by brooms, up 56.1%, and mops, up 41%. The implements category contributes only 5% to 6% to household supplies' overall volume, but apparently supermarketers are taking increasing interest in the high-margin brushes, brooms and mops. ☐

Laundry & Ironing Aids: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bleach & Bleach Substitute	35.46	$294.52	$258.06	14.13	26.89	$ 45.36	23	15.4
Liquid	23.39	194.26	171.12	13.52	15.89	28.81	13	13.8
Dry	12.07	100.26	86.94	15.32	11.00	16.55	10	18.5
Bluing	0.57	4.79	2.76	79.29	0.68	1.14	1	24.3
Softeners & Conditioners	43.41	360.40	326.66	10.78	45.07	76.04	39	21.1
Fabric Softeners & Rinses	40.75	338.30	302.22	11.97	42.12	71.06	37	21.0
Water Softeners & Conditioners	2.66	22.10	23.44	– 5.71	2.95	4.97	2	22.5
Starch	3.40	28.20	24.84	13.53	4.09	6.90	7	24.5
Dry	0.19	1.57	1.38	13.77	0.27	0.46	1	29.0
Liquid	0.57	4.70	2.76	70.29	0.67	1.14	1	24.2
Spray	2.64	21.93	20.70	5.94	3.15	5.31	5	24.2
Ironing Aids	1.51	12.53	8.28	51.33	2.54	4.29	3	34.2
For Iron	0.94	7.83	4.14	89.13	1.85	3.12	2	39.9
For Fabric	0.57	4.70	4.14	13.53	0.69	1.17	1	24.8
Laundry Room Hard Goods	2.64	21.93	11.04	98.64	5.33	8.99	6	41.0
Fabric Dyes	1.32	10.97	11.04	– 0.62	2.20	3.71	44	33.8
Presoaks	10.75	89.30	88.32	1.11	11.86	20.00	9	22.4
All Other Laundry Items	0.94	7.83	8.28	– 5.42	1.34	2.26	2	28.9
Total	100.00	$830.47	$738.28	12.48	100.00	$168.69	134	20.3

% of total HHS volume

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BUY A PACK TODAY
Winston Salem CAMEL

Marketing know-how put to the test

The nation's cigarette producers waged a fierce 'tar' war last year in an explosive—and costly—bid to light a fire under dormant unit movement. When the smoke cleared, there were more casualties than victors.

Two companies, Philip Morris and Lorillard, succeeded in enlarging their respective market shares. But it came at the expense of the four remaining manufacturers, leading observers to speculate that only the strongest marketers will survive this period of static sales.

"The cigarette industry," concedes Richard Orcutt, Lorillard's vice president of sales, "is now in a horizontal growth pattern."

Nevertheless, cigarettes continue to be one of the most profitable categories in the supermarket. Despite virtually flat unit growth in 1979, retailers rang up over $6.8 billion in sales for an 11% gain over the preceding year.

With cigarette companies now competing on each other's turf, expenditures to support existing brands and launch new ones have reached feverish levels. In the last three years alone, tobacco companies have spent hundreds of millions of dollars to roll out 55 new brands. In fact, it's no longer unusual for a manufacturer to incur a $40 million tab for a single brand introduction.

Low, lower, lowest: Triggering this proliferation of new products is the astounding success of low-tar cigarettes, a segment that has grown from a 15.8% market share in 1976 to its current level of more than 45%.

The frenetic scramble to win over

Incidence of Purchase
(per 1,000 POS transactions)

Cigarettes	Unit sales	Dollar sales
1979	134	$233.62
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	+4	+7

*Rounded to nearest whole number

Source: TRIM Inc.

loyal fans has spurred the development of "very low" and "ultra-low" tar brands, culminating in the recent introduction of Cambridge by Philip Morris. At 0.1mg tar (in box), the entry is in the same league as American Tobacco's Carlton and RJR's Now. It's also considered the lowest conceivable level that can accurately be measured.

Perhaps the first manufacturer to sense shifting consumer trends was Lorillard, which in 1975 set down a five-year plan designed to boost market share through a series of low-tar introductions. By the close of '79, reduced-level brands accounted for 80% of the company's sales.

Capitalizing on the effectiveness of "light" extensions, Lorillard last year broke with its 3mg Kent III King Size and quickly captured more than a 1% market share. It also introduced Kent III 100's.

Somewhat below expectations is Triumph, a 3mg cigarette launched last June and barely holding its own with a 0.5% share. "But we have a lot of faith in Triumph, and we expect it to eventually establish a firm hold," says Orcutt.

Lorillard lists one failure among last year's successes: Aspen, another low-tar entry, was scratched after poor market tests.

Perfect record: While Lorillard registered the best percentage gain, Philip Morris scored the highest absolute gain for the second year in a row. Little wonder, since the company hasn't had a single blunder in the past five years.

In 1976, Philip Morris pumped $40 million into the launching of Merit and was rewarded with a 1.5% market share by the end of the first year. In 1979, Merit captured sole possession of the eighth position among the top 10 brands and elbowed out RJR's Vantage as the No. 1 low-tar brand.

Static growth spurs battle for shares as tar levels reach new 'ultra' lows

Endowed—as is Lorillard—with skillful marketing and merchandising know-how, Philip Morris has grown from the smallest domestic producer less than two decades ago to second behind RJR.

Last year, Philip Morris launched nine new brands and line extensions, while reducing the tar content in seven others. Holding claim to the best-selling cigarette in America, Marlboro, since surpassing RJR's Winston a few years back, Philip Morris now commands the highest percentage of low tar brands sold (13.5%).

One reason cited for Philip Morris' astounding climb up the share ladder is the commitment it makes to supporting existing brands, regardless of the product's ranking. Taking that one step further, while most producers feel an obligation to eliminate slow-moving brands as the category proliferates, Philip Morris sings a different tune.

"Our philosophy's simple," says Richard Medwar, manager of supermarket accounts. "When a brand is discontinued, it essentially opens the door for consumers to switch to a competitor's product. So, unless a brand is an abysmal failure, we stick with it."

Rare endorsement: The good news at American Tobacco Co. is its Carlton brand, last year's fastest-selling cigarette with sales up nearly 50%. Relegated in '78 to 16th place on the top-sellers list, the resounding sales spurt pushed Carlton into 11th place.

Industry analysts credit the huge Carlton gain in part to a 1978 National Institute of Health report which implied that one could smoke a pack of Carlton (0.5mg) daily with a minimal health risk.

RJR revamps: Mention the word Real around RJR circles, and the mood turns sour. That's because the firm's marketers feel publicity over the $40 million brand's poor performance consistently overshadows other successes. In fact, the indus-

Tobacco Products: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cigarettes	**96.97**	**$6,848.42**	**$6,182.40**	**10.77**	**91.33**	**$ 979.32**	**120**	**14.3**
High-Filtration Brands	23.52	1,660.61	1,429.68	16.15	19.39	211.06	21	12.7
Filters, King Size	45.24	3,195.88	2,870.40	11.34	45.89	499.84	46	15.6
Filters, 100mm	20.41	1,441.28	1,320.66	9.13	18.57	202.21	48	14.0
Non-Filters, Regular Size	5.10	360.32	361.56	– 0.33	5.08	55.31	2	25.4
Non-Filters, King Size	2.70	190.33	200.10	– 4.87	2.40	27.49	3	13.7
Disposable Lighters	**0.71**	**50.17**	**41.12**	**22.01**	**3.10**	**23.13**	**5**	**46.1**
Other Tobacco Products	**2.32**	**162.93**	**178.81**	**– 8.87**	**5.57**	**41.54**	**141**	**25.5**
Cigars	0.78	54.83	73.90	–25.80	1.55	11.57	61	21.1
Pipe & Cigarette Tobacco	0.78	54.83	49.56	10.63	1.69	12.61	58	23.0
Chewing Tobacco & Snuff	0.47	32.90	30.51	7.83	1.03	7.67	6	23.3
Pipes, Lighter Fluid & Accessories	0.29	20.37	24.84	–17.99	1.30	9.70	16	47.6
Total	**100.00**	**$7,061.52**	**$6,402.33**	**10.30**	**100.00**	**$1,043.99**	**266**	**14.9**

% of total store volume . . . 4.50%

try leader is encouraged by the excellent inroads made by new Camel Lights and Vantage Ultra Lights.

But the recent executive changes, most notably the tapping of Ed Horrigan as chairman and ceo, underline RJR's decision to go on the offensive instead of remaining on the defensive. "With Philip Morris now less than four percentage points behind them," notes an industry observer, "RJR is forced to take a more aggressive posture."

One way RJR hopes to attract incremental business is through its Now 100's launched earlier this year, which the company contends is the lowest of the 100's with 2mg tar. More importantly, RJR expects 80% of the new brand's sales to come from female smokers, a segment in which RJR is admittedly weak.

Market tailspin: Perhaps the harshest evidence of what shifting demographics and flat growth can do to an operation is in the case of The Liggett Group. Once boasting a 22% share of the cigarette market, the firm's cigarette division ended 1979 with a paltry 2.8% share. Essentially, Liggett's decline can be traced to the fact that most of its brands are full-flavor products.

Nevertheless, British conglomerate Grand Metropolitan Ltd., which already owns 9.5% of Liggett, recently acquired an additional 80% of the cigarette marketer's common stock. The offer had originally been opposed by Liggett.

Time-worn merchandising: While the tug-of-war over market shares intensifies among the cigarette giants, food retailers continue to rake in enormous profits from the category. The fact that cigarettes outperform every other billion dollar nonperishable product category in supermarkets is a feat in itself. But considering that the methods most supermarketers currently employ to merchandise cigarettes are outdated and inadequate, the category's performance is all the more phenomenal.

"Today, the supermarket industry is not aware of cigarettes' value as a profit center," says Lorillard's Orcutt. "Most view it as a necessary commodity, but more as a draw than anything else."

The main issue is space, or lack of it. But beyond that, even those retailers allocating more selling area are using unsophisticated share-of-market approaches instead of more accurate share-of-sales figures.

Unfortunately, it's difficult to change old merchandising habits. Aside from treating the cigarette section as a draw for customers, contractual agreement for endcap space allocations severely impair proper brand facing and category integration. In other words, the shelf payments offered by manufacturers impede the sales of cigarettes in supermarkets more than anything else.

Ever so slowly, supermarketers are beginning to realize the benefits of properly merchandising cigarettes. Witness the advent of rear-extenders, a merchandising tool more and more supermarkets are utilizing to increase facings within a minimum amount of space.

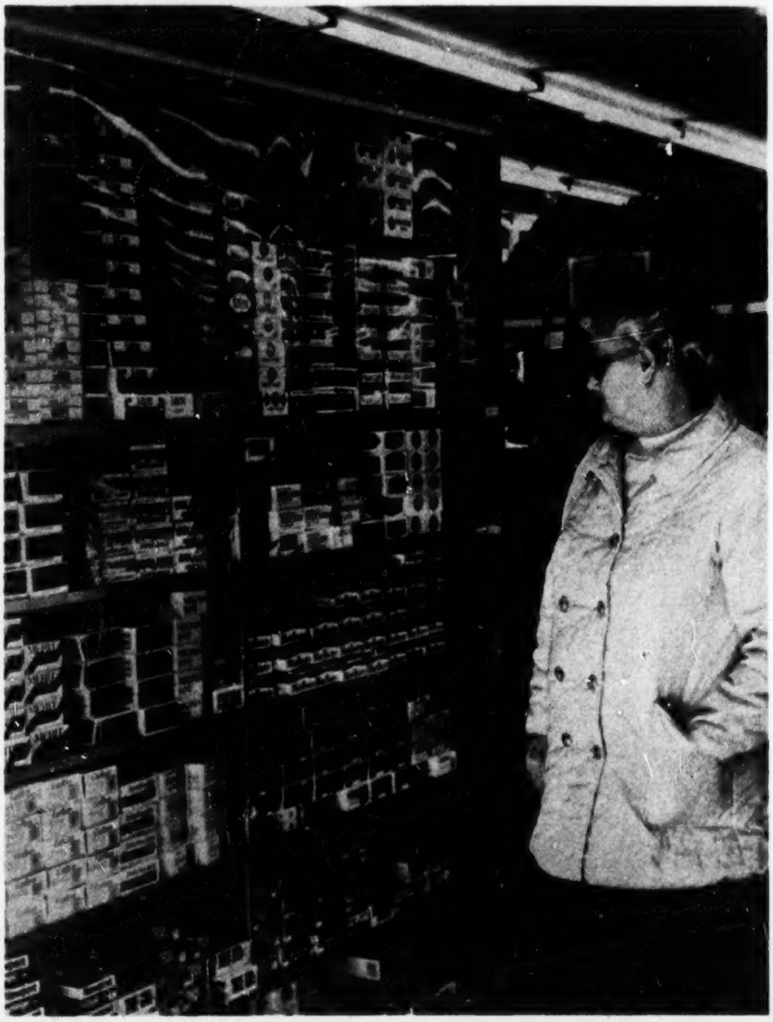
"What we're witnessing," offers one industry analyst, "is a slow but steady progression by the food industry toward total acceptance of cigarettes as a viable department."

Amid the ashes: In contrast, cigars appear to be losing appeal, at least in supermarkets. The erosion of sales through most of the 70's took its sharpest plunge last year, with retail dollar volume faltering more than 25%. Today, cigars account for less than 1% of the total tobacco category.

"Supers traditionally sell low-priced cigars," explains a spokesman for U.S. Tobacco Co., "and those are the ones diminishing in customer preference."

A number of retailers report significant increases in sales of expensive cigars, but purchasers of these brands normally shop in other retail outlets.

Outlook for '80: Despite persistent pressure by anti-tobacco crusaders to undermine the category's social acceptability, manufacturers are convinced that there will be no erosion of sales. In fact, some observers feel that the dramatic shift to reduced tar brands will serve to soften the controversy. ☐



Bigger sections boost dollars 25%

Many more shoppers flocked to supermarkets in 1979 to fill their health & beauty aids needs. Reasons? The gathering momentum of the one-stop-shopping trend, fueled by spiraling gasoline prices and the working woman's quest for convenience, sparked bigger demand for supermarket H&BA. Retailers reacted by allotting more space to the category in order to boost offerings to consumers.

Thanks to the larger departments and the increased shopper demand, grocery store H&BA unit volume soared an impressive 25% in 1979 over 1978. Translated to dollars, shoppers doled out a record $7.8 billion for H&BA items, vs. $6.2 billion the previous year. H&BA represented almost 5% of total supermarket store sales in '79.

Inflation—pegged conservatively at 11%-13%—produced a major part of that increase. Yet it wasn't the high rate of inflation alone that gave supermarkets more H&BA dollars. More shoppers actually bought more items from expanded H&BA departments.

Retailers helped sales along by fielding more aggressive promotional efforts. They upped print advertising, bolstered in-store promos and took greater advantage of manufacturer deals and special buys to become more price-competitive.

H. E. Butt instituted a "10% extra discount" program. By taking advantage of increased supplier deals, the chain was able to "reduce our retails by 10%" on certain items.

At New York City-based Sloan's Supermarkets, Jules Rose, board chairman and executive vice president, reports a "big increase in promotions" at retail level. "We used to feature two to four ads backed up by in-store promos per week. Now we've gone to four to eight weekly." He also notes a hike in the number of prepacks now available to supermarketers.

Most supermarketers also widened the variety of lines offered in 1979. According to Mike Wallace, president, Towne-Oller, "We've continued to see the introduction of brands and categories that were formerly drug store-oriented—lines like contraceptives and diet aids."

Bigger did better: Whatever items shoppers bought in '79, they generally chose the larger sizes across the board. Apparently consumers are growing more aware than ever of price/value relationships. Furthermore, unit pricing clearly shows that big sizes yield better value. "The increased cost per ounce to shoppers will logically cause them to move to larger sizes to fight inflation," explains Wallace.

The trend to larger sizes also accounts for part of the rise in dollar volume because, very simply, bigger sizes carry higher tickets. Additionally, a general upgrading by retailers—carrying higher-priced but better-quality items—pushed 1979's dollar volume upward.

Do-it-yourselfers also found more of their needs in supermarkets this year. Shoppers are tinting their own hair and giving themselves permanents in order to avoid the higher costs of beauty parlors.

Brands still winning: Generics and private label H&BA did not fare too well in 1979, reports Wallace, mostly because of the proliferation of nationally branded items. "National brands tend to put the squeeze on private label. It's not the other way around," says Wallace.

The increased space, promotion and general upgrading pushed profits to the $2.1 billion mark in supers in 1979. Margins ranged from a low of 19% for toothpaste to 63% for hair care accessories. Most items hovered in the 25%-33% area.

Despite ballooning inflation, more space and beefed-up promos sparked real growth

Old stand-by categories still lead in terms of dollar volume. The top five categories were dentifrices, $661.24 million; disposable diapers; $647.01 million; shampoos, $564.06 million; deodorants; $562.41 million, and pain relievers, $487.35 million.

Among leading dollar gainers were eye makeup, up 37.16%; stick deodorants, up 50.26%; beauty creams and body lotions, up 32.61%, and pre- and after-shave lotions, up 33.08%.

Retailers, wholesalers and suppliers agree, though, that while four categories—cosmetics, diet aids, vitamins and lotions—don't have the dollars behind them yet, they're slated for stardom in the 80's. Cosmetics, posting a 25.48% hike in 1979, should grow at least that much in 1980 as supermarkets take a more aggressive stance and suppliers work harder to win more footage.

Diet aids will be a bigger factor in the 1980's as new entries proliferate and weight-conscious shoppers seek out these items on supermarket shelves.

Vitamins, a highly profitable, high-ticket category, will get more super space as health-minded consumers demand more A's, B's, C's and E's from supermarket retailers.

Lastly, hand and body lotions will see more shopper activity since staying younger-looking is a national mania. Shoppers born early in the "baby boom" will boost sales of these items as they search for a way to keep skin younger-looking.

But while the outlook for supermarket sales of H&BA is bright, retailers and suppliers must contend with some harsh problems.

Inventory squeezing: Tightened credit and the high cost of money made inventory investment a real thorn in supermarketers' sides. Towne-Oller reported lowered shipments "probably due to inventory reductions. And there's no question that stockouts were greater because of inventory constricting."

In 1979 retailers kicked out many slow movers and toughened turn and ROI requirements. Some, such as Smitty's in Arizona, increased use of planograms to keep closer

Health & Beauty Aids: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hair Care	16.73	$1,306.64	$1,038.52	25.82	18.41	$ 398.46	549	30.5
Creams & Lotions	5.20	405.76	320.48	26.61	5.79	125.37	155	30.9
Oral Hygiene	15.63	1,220.53	883.23	38.19	13.22	286.14	172	23.4
Medications	20.86	1,629.27	1,361.78	19.64	22.47	486.42	449	29.9
First Aid	2.65	206.80	170.17	21.53	3.41	73.87	71	35.7
Men's Toiletries	7.55	589.87	496.78	18.74	7.74	167.63	141	28.4
Baby Needs	13.22	1,032.40	810.06	27.45	9.89	214.00	115	20.7
Cosmetics	4.62	361.19	287.85	25.48	6.46	139.76	272	38.7
Personal Hygiene	13.54	1,057.83	865.80	22.18	12.61	272.76	240	25.3
Total	100.00	$7,810.29	$6,234.68	25.27	100.00	$2,164.41	2,164	29.3

% of total store volume . . . 4.44%

Incidence of Purchase
(per 1,000 POS transactions)

Deodorants	Unit sales	Dollar sales
1979	16	$23.15
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	+11

Source: TRIM Inc.

tabs on inventory. Kim Roberts, pharmacy buyer, says Smitty's "instituted planograms for individual items on each shelf to make sure each store has the item it needs and knows exactly where it's supposed to be. That gives us an easy way to tell what's moving. The manager knows that if they had 12 items and now have six, he needs to order only six more. It's a much more exacting system."

Tight money has also reignited the service vs. nonservice battle. The union question comes into play here because, in some areas, union labor costs make nonservice even more expensive than service.

Suppliers are growing more worried about inventory cuts. Many find retailers ordering smaller quantities more frequently, which complicates production. To entice supermarketers to keep orders high, many suppliers are offering more special buys and longer buy-in periods. They're also stepping up couponing and developing more super-geared prepacks to spark sales.

Interestingly, the industry may be turning an economic dilemma into a marketing opportunity. Worry over inventory investment is prompting retailers to get rid of the dead weight and encouraging suppliers to pay more attention to supermarkets' special needs. Competition is fierce, but tough competition has always triggered sharpened merchandising techniques.

More exact monitoring of item movement and profits and the increase in computer-generated data will put suppliers and distributors under the gun to boost turns and increase ROI or risk losing space to faster selling items.

Medications: Consumers seeking relief from 1979's stresses and strains boosted the sale of medications to $1.6 billion, up from $1.3 billion in 1978. Medications captured almost 21% of total H&BA store volume.

Shoppers seeking headache remedies boosted the pain relief category about 31% in 1979 to bring total

H&BA/Medications: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Stomach Relief	**17.13**	**$ 278.91**	**$ 260.82**	**6.94**	**16.06**	**$ 78.09**	**72**	**28.0**
Antacids	11.83	192.69	143.52	34.26	10.54	51.26	41	26.6
Laxatives	4.43	72.12	100.74	−28.40	4.60	22.36	26	31.0
All Other Stomach Relief Products	0.87	14.10	16.56	−14.85	0.92	4.47	5	31.7
Cold Symptom Relief	**24.13**	**393.22**	**300.84**	**30.71**	**24.00**	**116.74**	**110**	**29.7**
Pills & Capsules	9.13	148.83	128.34	15.97	8.20	39.89	36	26.8
Cough & Sore Throat Products	9.52	155.09	106.26	45.95	9.98	48.54	45	31.3
All Other Cold/Allergy Symptom Relief	5.48	89.30	66.24	34.81	5.82	28.31	29	31.7
Pain Relief	**29.90**	**487.35**	**371.22**	**31.28**	**25.53**	**124.23**	**82**	**25.5**
Internal	25.67	418.42	322.92	29.57	21.07	102.51	60	24.5
External	4.23	68.93	48.30	42.71	4.46	21.71	22	31.5
Stimulants & Sedatives	**1.44**	**23.50**	**27.60**	**−14.85**	**1.59**	**7.73**	**10**	**32.9**
Vitamins & Tonics	**16.35**	**266.32**	**228.80**	**16.40**	**19.22**	**93.48**	**99**	**35.1**
Foot Care	**2.02**	**32.90**	**28.98**	**13.53**	**2.43**	**11.81**	**39**	**35.9**
Eye Care	**2.40**	**39.17**	**31.74**	**23.41**	**2.56**	**12.46**	**13**	**31.8**
Rubbing Alcohol & Witch Hazel	**1.83**	**29.77**	**20.70**	**43.82**	**2.42**	**11.76**	**5**	**39.5**
Diet Aids	**1.66**	**27.04**	**0.00**	**0.00**	**1.97**	**9.60**	**3**	**35.5**
All Other Medication & Medical Needs	**3.14**	**51.09**	**91.08**	**−43.90**	**4.22**	**20.54**	**16**	**40.2**
Total	**100.00**	**$1,629.27**	**$1,361.78**	**19.64**	**100.00**	**$486.42**	**449**	**29.9**

% of total H&BA volume . . . 20.86%

H&BA/Hygiene Needs: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Sanitary Goods	**40.87**	**$ 432.39**	**$365.81**	**18.20**	**33.44**	**$ 91.22**	**58**	**21.1**
Napkins	20.29	214.63	194.69	10.24	16.13	44.00	26	20.5
Tampons	19.99	211.49	166.98	26.66	16.75	45.68	28	21.6
Belts & Other Accessories	0.59	6.27	4.14	51.45	0.56	1.54	4	24.5
Feminine Hygiene Products	**5.37**	**56.76**	**49.68**	**14.25**	**7.18**	**19.58**	**32**	**34.5**
Deodorant & Antiperspirants	**53.17**	**562.41**	**443.41**	**26.84**	**58.51**	**159.60**	**147**	**28.4**
Spray	20.74	219.33	187.68	16.86	21.95	59.88	50	27.3
Roll-On	17.92	189.56	143.86	31.77	19.60	53.46	46	28.2
Cream	1.63	17.23	15.18	13.50	1.96	5.36	5	31.1
Stick	6.66	70.50	46.92	50.26	8.17	22.28	20	31.6
Pads	0.30	3.13	2.76	13.41	0.39	1.08	1	34.4
All Other Deodorants & Antiperspirants	0.44	4.70	19.32	− 75.66	0.53	1.44	2	30.6
Powder	5.48	57.96	27.69	109.32	5.91	16.11	23	27.8
All Other Hygiene Needs	**0.59**	**6.27**	**6.90**	**− 9.12**	**0.87**	**2.36**	**3**	**37.7**
Total	**100.00**	**$1,057.83**	**$865.80**	**22.18**	**100.00**	**$272.76**	**240**	**25.8**

% of total H&BA volume . . . 13.54%

sales to $487.35 million. Internal relievers brought in the bulk of those dollars, accounting for $418.42 million in 1979.

The "medicate yourself" trend, now more acute than ever due to soaring medical costs, showed up in cold symptom relief sales that totaled $393.22 million in 1979, a jump of almost 31% over 1978. Pills and capsules accounted for $148.83 million of those sales. Cough and sore throat products grabbed $155.09 million of that total.

A quick glance at 1979's world news headlines is the only explanation one needs to understand why consumers spent $278.91 million in supers for stomach relievers. Antacids made up most of that sum, accounting for $192.69 million. Laxatives fell off about 28%, mostly due to lack of new entries and consumer reliance on more natural methods of relief.

Stimulants and sedatives also saw a decline of almost 15% since 1978, mostly because of the growing consumer concern over the safety of these items.

One of the main factors responsible for the growth of supermarket sales of medications was that pharmaceutical firms, once strictly drug store-oriented, are pumping more money into beefing up food trade business.

Menley and James has upped its TV advertising and increased couponing in 1979. One source at M&J notes the company is using more dating, especially on special brands such as highly seasonal A.R.M. and Teldrin.

The firm plans to push for more off-shelf displays in supers and to continue the prepack program.

Dorsey Labs, which just started to pursue the food trade in 1979, hired a broker sales force to handle food stores. Reports Ron Scroggins, product manager, "We ended the year with 50 brokers to go after food stores in direct sales."

To encourage retailers to buy Dorsey products, the firm is continuing deals and special buys and has also extended the buy-in period for direct accounts on deals. Dorsey is also trying to get supermarket space for formerly drug-only items, such as Triaminic-D.M.

Other firms that have been in the food trade for years are seeing solid growth in the medications category. At Miles Labs, Alka Seltzer Blue still sells best, but Alka Seltzer Gold and Alka Seltzer Plus, a cold remedy, are also doing well, according to Imogene Kulp, market research analyst, Miles Labs, consumer products division.

At Plough, St. Joseph's products for children are the best-selling items in food stores. One source claims the increase in units and dollars for St. Joseph's products was

Incidence of Purchase
(per 1,000 POS transactions)

Sanitary tampons	Unit sales	Dollar sales
1979	**8**	**$12.07**
Update '80 **(% change*)** **1st qtr. '80 vs. 1st qtr. '79** *Rounded to nearest whole number	+13	+16

Source: TRIM Inc.

due to "More direct attention to food store needs, more couponing and displays better suited to supermarket sales."

Vitamins: American consumers are "thinking health" and buying vitamins in food stores in ever-growing numbers. Purchases show heavy stress on extra-potency as well as standard lines.

Food store dollar volume for 1979 totaled $266.32 million, a jump of about 16½% over 1978. The relatively high tickets on these items account for much of the dollars, but units also have seen hikes.

One-A-Day enjoyed both package and dollar hikes in 1979, reports Imogene Kulp, market research analyst, Miles Labs, Consumer Products division. She notes greatest increases in the iron and mineral lines and in the larger 100-tablet sizes as opposed to 60's. Also, following the trend to specialty vitamins, Miles introduced both Flintstones and Bugs Bunny lines with extra C.

Lee Coscino, Rexall's director of special markets, is another who sees the higher potency vitamins as big this year. In multiples, Coscino reports, Super Plenamins Extra Strength continues to move well. In the alphabet vitamins (A, B, C, etc.), the bigger dosages, such as the 500mg strength, are selling best.

Crest
Aquafresh
efferdent

At Vita Fresh, 70% of the company's total business is now done through supermarkets, according to Jim Martin, board chairman. He agrees that the trend is toward higher-potency lines and emphasizes that the category should continue to see greater gains in food stores in the 80's.

Pharmavite, for years a successful vitamin firm for the drug store trade, is now adapting its successful drug program to supers so that it "fits into their method of doing business." One ploy Pharmavite will be using is a six-month promotion on key items in its line that, according to a source, will be a "first for the industry."

Only one supplier reports an in-

H&BA/First Aid: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bandages & Tapes	**49.24**	**$101.83**	**$ 84.10**	**21.08**	**50.11**	**$37.01**	**34**	**36.3**
Adhesive Bandages	36.36	75.20	64.19	17.15	36.45	26.92	20	35.8
Gauze & Bulk Bandages	6.06	12.53	9.78	28.12	6.46	4.77	7	38.1
Adhesive Tapes	6.82	14.10	10.13	39.19	7.20	5.32	7	37.7
Cotton & Cotton Balls	**18.18**	**37.60**	**26.22**	**43.40**	**17.00**	**12.56**	**9**	**33.4**
First-Aid Preparations	**28.79**	**59.53**	**49.68**	**19.83**	**28.65**	**21.16**	**23**	**35.5**
Petroleum Jelly	12.88	26.63	20.70	28.65	11.50	8.50	5	31.9
All Other First-Aid Preparations	15.91	32.90	28.98	13.53	17.15	12.67	18	38.5
First-Aid Kits	**0.76**	**1.57**	**3.46**	**−54.61**	**0.71**	**0.53**	**2**	**33.5**
All Other First-Aid Items	**3.03**	**6.27**	**6.71**	**− 6.55**	**3.53**	**2.61**	**3**	**41.6**
Total	**100.00**	**$206.80**	**$170.17**	**21.53**	**100.00**	**$73.87**	**71**	**35.7**

% of total H&BA volume . . . 2.65%

crease in smaller sizes. According to Carol Whitlow, food broker marketing coordinator for Squibb, "People don't have the money to buy the large sizes. They'll put out $3 for 30's rather than the $9 for the larger size."

Perhaps this indicates that shoppers have their price/value limits. They'll try to save pennies by buying big on such relatively low-ticket items as shampoo. But once the retail hits a certain point, such as on high-ticket vitamins, they'll trim the immediate cash outlay and opt for the lower-priced items.

Diet aids: Of the over 80 million overweight adults in the United States today, 40 million of them dieted within the last year. Without a doubt, women 18-49 years old are the heaviest users of diet products and programs.

Industry figures report the diet aid category represents retail sales of over $100 million annually. It's no wonder that supermarketers are trying to help themselves to a bigger slice of the diet pie. And judging from the over $27 million supers took in in 1979, they've got a good start.

Dexatrim, from Thompson Medical, sparked solid movement in diet aids for supers. A company spokesman notes that 13% of the diet aid market is now in supers. Thompson Medical now offers Prolamine, Appedrine and new caffeine-free Control to the food trade. The company is also taking an aggressive promotional stand this year, according to one source, and will allot $27 million for its ad budget, a big jump from 79's $10 million ad tab.

Menley and James recently jumped on the diet aid bandwagon with Dietac. As part of the introductory offer, M&J tucked a coupon good for repurchase inside each pack of the new entry.

Larger sizes, solid sales marked key trends. Hot sections: vitamins, diet aids

Overall, the growth of the category in food stores is the result of a combination of three trends: (1) greater consumer demand brought about by increased acceptance of products now that the Federal Drug Administration has put its stamp of approval on many of the items, (2) retailers allotting more space to the items, and (3) suppliers beginning to broaden assortment and beef up advertising and promotional support.

Personal hygiene: Many more Americans are putting personal hygiene items on their supermarket shopping lists because of the convenience of one-stop shopping. Since it's convenience and price that determine where brand-loyal personal care shoppers make their purchases, supers are gaining ground on other retail outlets.

Supers now account for about 63% of the total sanitary protection business in 1979, according to a major market audit firm.

Chain Store Age places supermarket dollar volume for sanitary napkins, tampons, belts and accessories at over $432 million, an increase of 18% over 1978.

The proliferation of tampon entries—most notably Rely, O.B., Tampax and Playtex brands—pushed tampon dollar volume up more than 26% over 1978 and marked a key sanitary protection trend in 1979.

Also in the '79 personal care headlines was the advent of smaller, lighter napkins. Suppliers who both created and capitalized on the trend established a very segmented market consisting of regular, maxi, mini, beltless, thin and ultra-thin pads—all of which are elbowing for greater market share. Johnson & Johnson's newest entry, Sure and Natural, a "full-size, beltless product with one-third the thickness of a regular napkin," is pushing the segmentation to its outer limits.

H&BA/Creams & Lotions: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Medicated Creams, Lotions & Soaps	30.88	$125.33	$ 93.84	33.56	31.49	$ 39.48	49	31.5
Acne Preparations	15.83	64.23	46.92	36.89	16.55	20.75	23	32.3
All Other Medicated Creams & Lotions	10.42	42.30	31.74	33.27	10.32	12.94	15	30.6
Medicated & Specialty Bar Soaps	4.63	18.80	15.18	23.85	4.62	5.79	11	30.8
Suntan Products	8.11	32.90	40.69	− 19.13	8.55	10.73	23	32.6
Beauty Creams & Lotions	50.97	206.79	155.94	32.61	49.89	62.53	66	30.2
For The Face	18.92	76.76	42.78	79.43	18.24	22.87	23	29.8
For Hand & Body	32.05	130.03	113.16	14.91	31.65	39.66	43	30.5
Depilatories & Ladies' Shaving Supplies	7.34	29.77	24.84	19.85	7.24	9.08	12	30.5
All Other Creams & Lotions	2.70	10.97	5.17	112.19	2.83	3.55	5	32.4
Total	100.00	$405.76	$320.48	26.61	100.00	$125.37	155	30.9

% of total H&BA volume . . . 5.20%

Incidence of Purchase
(per 1,000 POS transactions)

Shampoos	Unit sales	Dollar sales
1979	14	$23.88
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+7	+9

Source: TRIM Inc.

Retailers are hard-pressed to find more space for all these bulky sku's, and suppliers are obviously dissatisfied with supers' response. Notes one J&J source, "The food trade still maintains the same space for sanitary napkins that it did five years ago. They're just not giving the consumer adequate choice—or the products adequate space. Stockouts have increased considerably."

To entice retailers to buy more products and up space allocation, J&J is extending dating, increasing trade allowances and turning out "a high degree of couponing."

While consumers are trying to keep dry with antiperspirants and deodorants, the category is enjoying healthy sales.

Total deodorant and antiperspirant category is up almost 27% in 1979. Dollar volume amounted to over $562 million. Sprays and roll-ons continue to lead category sales, but roll-ons are growing at a greater rate—they're up almost 32% over 1978. Roll-ons and sticks crimped pump and aerosol sales, though sprays did increase over 16%.

Industry sources say "watch out for the stick," which is catching shoppers' attention. Nineteen seventy-nine saw two new entries, Secret and Sure stick.

First aid: The self-medication trend extends to first aids, too. The entire category showed solid sales increases over '78. In overall dollars, first aid treatments amounted to over $206 million in 1979.

First aid preps rose almost 20%, with petroleum jelly making up most of the dollars. First aid kits dropped significantly, as fewer supers opted for a complete kit and more shoppers bought only the individual items they needed.

First aid accounted for 2.65% of total H&BA store sales in '79.

Creams and lotions: Creams and lotions grabbed a respectable 5.2% of total H&BA store sales dollars in 1979. The entire category totaled over $405 million in '79, up almost 27% over 1979. Obviously, while much of the sales dollars came from inflation, real growth was evident.

Suntan product sales, however, faded in 1979—mostly because of

H&BA/Hair Care: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hair Care Accessories	5.28	$ 68.93	$ 64.86	6.28	10.19	$ 40.56	81	58.8
Combs & Brushes	1.92	25.07	23.46	6.86	3.61	14.37	27	57.3
Curlers & Rollers	0.72	9.40	11.04	−14.85	1.41	5.61	9	59.7
Pins & Clips	0.60	7.83	16.56	−52.71	1.25	4.98	12	63.6
All Other Hair Care Accessories	2.04	26.63	13.80	92.97	3.92	15.61	33	58.6
Hair Sprays [Women's or Unisex]	17.39	227.16	172.50	31.69	15.51	61.79	80	27.2
Setting Lotion & Gels	0.84	10.97	9.66	13.56	0.91	3.64	8	33.2
Conditioners	13.19	172.33	131.10	31.45	13.36	53.25	58	30.9
Misc. Hair Preparations	0.72	9.40	24.69	−61.92	0.72	2.87	8	30.5
Hair Coloring Products	10.67	139.43	106.16	31.34	8.89	35.42	126	25.4
Home Permanents & Curl Relaxers	2.04	26.63	19.98	33.28	2.13	8.47	17	31.8
Shampoos	43.16	564.06	436.43	29.24	41.02	163.51	143	29.0
Dandruff Shampoos, All Types	5.74	75.02	98.69	−23.97	5.23	20.86	15	27.8
All Other Liquid Shampoos	28.90	377.68	279.91	34.93	28.33	112.93	102	29.9
All Other Types of Shampoos	8.52	111.36	57.83	92.56	7.46	29.73	26	26.7
Creme Rinses	6.71	87.73	73.14	19.95	7.27	28.95	28	33.0
Total	100.00	$1,306.64	$1,038.52	25.82	100.00	$398.46	549	30.5

% of total H&BA volume . . . 16.73%

H&BA/Oral Hygiene: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Denture Needs	10.78	$ 131.60	$102.12	28.87	13.52	$ 38.69	36	29.4
Dentifrices	54.18	661.24	449.91	46.97	44.24	126.60	56	19.1
Toothpaste	53.02	647.14	440.22	47.00	42.73	122.31	52	18.9
Tooth Powder	0.39	4.70	2.76	70.29	0.55	1.56	2	33.2
Tooth Polish	0.77	9.40	6.93	35.64	0.96	2.74	2	29.1
Toothbrushes	7.06	86.16	74.52	15.62	13.04	37.31	31	43.3
Mouthwash & Breath Sprays	25.54	311.76	235.98	32.11	25.39	72.64	39	23.3
All Other Oral Hygiene Needs	2.44	29.77	20.70	43.82	3.81	10.90	10	36.6
Total	100.00	$1,220.53	$883.23	38.19	100.00	$286.14	172	23.4

% of total H&BA volume . . . 15.63%

the run of bad weather during the past summer season—though profits still hit $10.73 million.

The subcategory to watch is beauty creams and lotions. As a whole, sales rose 32.61% in supermarkets in 1979. Translated into dollars, supers took in $206.79 million last year. Hand and body creams got the lion's share, capturing $130.03 million in 1979. Face creams, however, soared almost 80% to bring its total volume to $76.76 million.

This year promises even greater growth in the beauty cream category with two major companies, Maybelline and Vidal Sassoon, introducing skin treatment lines. Company sources report good early sales.

Hair care: Ever since Farrah Fawcett tossed her shiny mane in full view of TV audiences, the rage for glossy, healthy hair has been in full swing.

Shampoo marketers need only look at 1979 supermarket figures to delight in resulting sales—shampoos alone grabbed $564 million in supermarkets this year, up about 30% over 1978. Shampoos continue to rate as the top-selling H&BA category.

The "tress stress" in full force around the country involves daily shampooing and blow drying. To do that, consumers bought enough shampoo to wash about 7% more heads in 1979 than in 1978, estimates a noted audit research firm. Shoppers lost interest in flavors and fragrances and reached for conditioners designed to offset any damage from too-frequent shampooing.

The after-shampoo market also benefited from the shampooing boom. Conditioners climbed almost 32% over 1978, bringing the total supermarket dollar volume to $172.33 million in 1979.

Suppliers reacted by throwing their support behind the conditioning trend. Wella, for example, just added a dry formula to its line of regular and oily Balsam shampoo.

Clairol dropped its ad push for Short & Sassy and beefed up support of its conditioning shampoo. Now it's testing Touch of Yogurt shampoo, another conditioning-type product. Procter and Gamble is testing Head & Shoulders conditioning shampoo.

P&G's Pert conditioning shampoo promises to get full promotional support from the H&BA firm. Body on Tap is coming out with a new conditioner, and J.B. Williams is testing Healthworks conditioning shampoo this year.

Gillette's personal care division also takes the conditioning craze very seriously. Its newest entry, Silkience Self-Adjusting shampoo in both regular and extra body, is backed by over $30 million in promotional support in 1980. The shampoo follows on the heels of successful Silkience conditioner.

Derwyn Phillips, president of Gillette's PCD, believes that much of the growth in shampoo and conditioner sales for his firm will come from supers. Notes Phillips, "This segment of our market has increased by about 20% over the year in supers."

Vidal Sassoon's line of hair care, made up of shampoo, conditioner and finishing rinse, no doubt helped build shopper interest in full-treatment hair care. Notes Laurance Taylor, senior corporate vice president, advertising and creative services, "I think that the mass market customer is understanding the difference between in-and-out prod-

Incidence of Purchase
(per 1,000 POS transactions)

Dentifrices	Unit sales	Dollar sales
1979	40	$40.07
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79	+8	+15

*Rounded to nearest whole number

Source: TRIM Inc.

ucts and those that have real credibility. Customers read the package and know the ingredients."

In 1979, food stores contributed 41% of Sassoon's shampoo business, up from 31% in 1978. Also in 1979, 42.8% of the firm's after-shampoo business came from food stores, a 13.4% gain over '78.

Not only did shoppers buy more conditioning-type hair care items, they also bought larger sizes.

According to Bob Kelly, national sales manager, Helene Curtis, "We saw the consumer going to larger sizes. The 28-oz. Suave was extremely successful for us this year."

Says Wella's vice president sales, Ed Denton, "Our distribution of the 16-oz. size has doubled in the past two years." He attributes this to the "consumer voting for it with her pocketbook" and to Wella's "aggressive promoting." A recent 40¢-off promo moved product fast, reports Denton.

Apparently, the do-it-yourself trend is also having an impact on the H&BA category. Hair coloring jumped over 31% in 1979. Home permanents and curl relaxers, sparked by Rave and Tony's Light Waves, increased 33.28%. Shoppers are obviously a lot less willing to dole out dollars to hairdressers when they can try it themselves at home.

Oral hygiene: The media's push to "flash a white, toothy smile" and the American consumer's growing interest in overall health care kept dentifrices high on the list of dollar volume leaders.

Dentifrices managed to rack up $661.24 million in 1979, an increase of almost 47% over 1978. Toothpaste alone posted sales of $647 million, a solid jump of 47% over 1978.

One of this year's toothpaste trends was a move to larger sizes—note P&G's introduction of a 9-oz. super-size in 1979. But the biggest story for the food trade was that Beechum's Aqua Fresh stole an outrageously high market share within the first few months of its introduction. Beechum smartly positioned the product between a flouride and a breath freshener—two hot spots with today's consumer.

As for mouthwash, the category dollar sales climbed over 32% (including breath sprays) in 1979 to reach $311.76 in sales. In ounces sold, however, the category was flat.

Explains Tom McClintock, manger, customer services for P&G, "A year ago, the category had an annual growth rate of about 5%-6%. Signal was trying to get in, Listerine brought out new colors and flavors. All of it resulted in a good deal of pricing sensitivity that boosted the whole category.

"But now the population hasn't grown that fast, so the market has leveled out."

Brand leaders are Listerine, Scope and Signal.

Men's toiletries: The influx of male shoppers into the supermarket aisles has sparked solid sales in men's toiletries and shaving needs.

Overall shaving cream sales in '79 amounted to $103.39 million, an increase of almost 34% over 1978. Supers got dollar gains in every subcategory of shave creams save brushes and lather, which expectedly dropped almost 25%.

If shaving cream sales are up, it follows that razor sales will experience parallel growth—and that was certainly the case for 1979. Razor blades jumped almost 36% to total more than $271 million. Razors and kits rose about 25%.

While disposable razors showed a healthy climb of 25% to a total supermarket sales volume of over $40 million, this category bears watching due to some extensive promotional support from Gillette and Bic. The two disposable razor giants combined spent well over $10 million in 1979 in consumer advertising; sampling and promo allowance boosted that total even higher.

The trend in disposables is to multipacks, according to a Bic spokesperson. The firm is selling out its current 4-packs to make way for newly released 5-packs.

Another trend is the polarization of the razor market. Upgrade Atra and Ultrex posted good sales gains in 1979, as did low-end disposables. It all points to shoppers opting for high quality despite high price and

H&BA/Toiletries: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Shaving Cream	17.53	$103.39	$ 77.28	33.79	17.75	$ 29.75	44	28.8
Brushes & Lather	0.53	3.13	4.14	−24.39	0.58	0.97	3	30.9
Aerosol, Plain	9.83	57.96	41.40	40.00	9.89	16.58	17	28.6
Aerosol, Special Scents	6.37	37.60	27.60	36.23	6.48	10.87	19	28.9
Aerosol, Hot Lather	0.80	4.70	4.14	13.53	0.80	1.34	5	28.4
Razor Blades	45.94	271.02	200.10	35.44	43.31	72.63	34	26.8
Razor & Razor Kits	11.69	68.93	55.20	24.87	12.05	20.20	12	29.3
Disposable Razors	6.78	40.01	32.01	24.99	7.54	12.64	2	31.6
Pre- & After-Shave Lotions	9.03	53.26	40.02	33.08	10.14	16.99	22	31.9
Cologne	1.33	7.83	6.90	13.48	1.25	2.09	5	26.7
Hair Care Products	5.58	32.90	35.88	− 8.30	5.87	9.84	15	29.9
All Other Men's Toiletries	2.12	12.53	11.69	7.19	2.09	3.50	7	27.9
Total	100.00	$589.87	$496.78	18.74	100.00	$167.63	141	28.4

% of total H&BA volume . . . 7.55%

Incidence of Purchase
(per 1,000 POS transactions)

Baby diapers, disposable	Unit sales	Dollar sales
1979	**25**	**$60.67**
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	**−4**	**+16**

Source: TRIM Inc.

convenience despite lower quality.

Pre- and aftershave lotions also showed marked increases in '79. Supermarket dollar volume rose over 33% to total over $53 million last year. Colognes rose about 13½% in 1979.

One reason for these sales increases is that Yardley, formerly a department store line, is pushing hard into mass-merchandising outlets.

Tom Measday, general manager, Yardley of London, reports about 60% of Yardley's toiletries business is now in supermarkets. Aftershave, carrying a retail of $2.69-$3.25, is the biggest food store seller. Measday also notes Musk and Leather lines, complete with aftershave, cologne, stick deodorant, shaving cream and soap on a rope, are top sellers.

Yardley has suffered the penalty for its swing to supermarkets by getting booted out of department stores. But the firm is strengthening its promotional programs to counteract any drop in sales.

In 1979 Yardley distributed 250 million coupons through magazines and newspapers, extended deal periods on introductory products from two to three months and increased advertising fivefold over 1978.

Baby needs: Parents found more and more baby care needs at their local supermarkets in 1979, and thus food stores reaped bigger sales benefits. Overall, the category climbed over 27% to top $1 billion.

One major factor that led to the sales hikes was that baby boom babies who put off child-rearing until they reached their late 20's and early 30's began having children in the late 70's. Additionally, supermarket retailers, helped along by supplier promotional pitches, started merchandising baby needs in adult sections as well.

The marked increase in baby oils, lotions and ointments—up almost 20% to hit '79 dollar sales of over $64 million—are in part due to adults' increased use of these products. Baby oil, for example, is often sold as a suntan product or skin moisturizer.

Swabs, up almost 37% in 1979 to over $83 million, are used by adults as well as for baby care.

Baby soaps and shampoos rose over 30% in 1979 to total more than $95 million, but much of that lather found its way to adult scalps. Adults believed suppliers' promise of gentle cleansing for daily shampooers.

Lou Sullivan, national sales manager, Johnson & Johnson, Baby Products Toiletries division, notes, "Because we've been advertising to adults, too, more retailers are putting baby shampoos, powders, oils and swabs in both baby and adult sections."

Far and away the best baby care seller was disposable diapers. Dollar volume amounted to over $647 million, up almost 29% over 1978. Pampers, J&J and Luvs were top sellers.

The trend to big sizes is evident in the disposable diaper category. According to Procter & Gamble's Tom McClintock, manager, customer services, "The convenience sizes are doing very well as shoppers for this category are going for convenience more than they're worrying about price."

Two new entries by J&J should add even more momentum to baby need sales for 1980. Baby Bath, introduced in '79, and Baby Cornstarch, launched in early '80, have reportedly seen "excellent reception" by consumers.

Cosmetics: A few years ago, cos-

H&BA/Baby Needs: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bottles & Nipples	3.03	$ 31.33	$ 19.32	62.16	5.59	$ 11.97	19	38.2
Baby Oils, Lotions & Ointments	6.22	64.23	53.82	19.34	9.18	19.65	18	30.6
Baby Powder	5.92	61.10	45.54	34.17	8.05	17.23	10	28.2
Plastic Pants & Diaper Liners	1.06	10.97	9.66	13.56	2.17	4.64	8	42.3
Swabs	8.04	83.03	60.72	36.74	13.46	28.81	9	34.7
Diapers, Disposable	62.68	647.01	502.32	28.80	42.94	91.88	20	14.2
Soaps & Shampoos	9.26	95.56	73.14	30.65	12.55	26.85	12	28.1
All Other Baby Needs	3.79	39.17	42.78	− 8.43	6.06	12.96	19	33.1
Total	100.00	$1,032.40	$810.06	27.45	100.00	$214.00	115	20.7

% of total H&BA volume . . . 13.22%

metics sales in supermarkets meant a few dollars brought in by low tickets from a very limited line assortment. Most supers didn't bother to carry any cosmetics at all, and major franchise cosmetics houses dismissed the food trade with the phrase, "You can't expect a woman to throw mascara in with the lettuce."

A look at 1979 sales, however, shows how much things have changed. Cosmetics, including bath products, manicure items and towlettes, accounted for over $361 million in 1979 and represented 4.62% of H&BA store sales. With margins that ranged from 30% to 47%, gross profits amounted to almost $140 million in '79—not bad for a category that "wouldn't ever make it in food stores."

Three notable trends marked cosmetics sales in supers in 1979 and early 1980, notes Bob Tabor, vice president, field sales, Maybelline. First, more and more supers became involved with cosmetics and increased the number of items they had on line. Says Tabor, "They're doing a much better job at giving the customer what she's requesting—wide selection."

A Miller-Morton spokesman agrees. Whereas suppliers used to give supers a short price line, now they're trying to get in with full line cosmetics, he reports.

The second trend, says Tabor, is in increased sales, proving that shoppers "will purchase cosmetics in a supermarket *if* the selection is there."

Third, Tabor notes, "Supermarketers are looking at cosmetics in terms of departments much like the delis, plant care or pet departments. They are realizing that cosmetics lend themselves to that kind of approach."

For their part, cosmetics firms such as Maybelline, Cover Girl, Revlon and Max Factor are courting supers with striking—if strikingly similar—new displays to create a "boutique image" within the food store.

At the same time, the displays are designed to hold more product in a given amount of space and to keep subcategories within a line clearly organized.

Wiley Loften, general merchandise director for A&P's Atlanta division, says Maybelline's racks are helping him get the needed variety and selection into his supers. The division has increased cosmetics sales by 50% over the past two years.

One retailer, Tom Thumb's Jim Kyle, H&BA buyer, looks askance at the big displays. "Some of them are a total washout," he says. "They expect you to pay for these big displays, and then you have to fill them up with products—and they hold a lot of product. Even if they're furnished free, you've got to tie up too much capital to fill them."

Ethnic products: As supermarketers learn that ethnic H&BA departments boost overall profits, more are giving increased space and attention to the category in their stores.

Most major ethnic H&BA suppliers report increases of 15%-16% in supermarket sales in 1979. Undoubtedly, more chains offered these items when the market's black population was 30% or more. In fact, many units with only 5% black and Hispanic clientele began to put in small sections.

A&P and Dominick's are typical of food stores that devote about three linear feet to ethnic H&BA. Chains such as Jewel have become much more aggressive this past year and allot as much as 12 linear feet to ethnics in certain units. ☐

H&BA/Cosmetics: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Facial Cosmetics	**10.42**	**$ 37.60**	**$ 30.36**	**23.85**	**11.01**	**$ 15.40**	**60**	**41.0**
Compacts, Liquid & Stick Makeup	5.21	18.80	19.32	− 2.68	5.00	6.99	25	37.2
Powder Puffs	0.87	3.13	1.38	126.81	1.07	1.50	2	47.8
Face Powder	4.34	15.67	9.66	62.22	4.94	6.91	33	44.1
Lipsticks	**8.67**	**31.33**	**26.22**	**19.49**	**8.56**	**11.97**	**51**	**38.2**
Manicure Items	**28.68**	**103.61**	**89.97**	**15.16**	**30.71**	**42.33**	**79**	**41.4**
Nail Polish	19.14	69.14	59.61	15.99	20.28	28.35	58	41.0
All Other Manicure Items	9.54	34.47	30.36	13.54	10.43	14.58	21	42.3
Bath Products	**19.95**	**72.06**	**55.20**	**30.54**	**15.96**	**22.30**	**21**	**30.9**
Talcum Powder & Medicated Powder	11.28	40.73	30.36	34.16	9.21	12.87	10	31.6
All Other Bath Products	8.67	31.33	24.84	26.13	6.75	9.43	11	30.1
Eye Makeup & Accessories	**22.67**	**81.87**	**59.69**	**37.16**	**22.68**	**31.68**	**53**	**38.7**
Perfumes, Toilet Water, Cologne, Towelettes	**8.31**	**30.02**	**11.73**	**155.92**	**9.56**	**13.36**	**1**	**44.5**
All Other Cosmetics & Cosmetic Accessories	**1.30**	**4.70**	**14.68**	**− 67.97**	**1.52**	**2.12**	**7**	**45.2**
Total	**100.0**	**$361.19**	**$287.85**	**25.48**	**100.00**	**$139.76**	**272**	**38.7**

% of total H&BA volume . . . 4.62%

Auto, DIY, photo hike dollar sales

The general merchandise story for 1979 reads like a good news/bad news joke. The good news is that GM showed solid sales and space hikes. The bad news is that the category may have trouble duplicating these gains in 1980, since the slumping economy is prompting inventory cuts and lower shopper spending.

On the positive side, supermarket dollar volume for general merchandise totaled $4.3 billion in 1979, up about 20% over 1978. GM represented about 2.75% of total store sales. While it's true that inflation and generally higher tickets pushed dollars abnormally high, GM still put lots of dollars in the bank, thanks to 30%-50% margins.

As for space, a spot check of 10 top retailers across the country reveals average 1979 space increases of about 5%-7% over 1978. Supermarketers, increasingly receptive to the benefits of GM, made extra room for such lines as auto, photo and DIY.

As for consumers, there's no question that they shopped for more of their GM needs at supermarkets. Fuel shortages made suburban and rural shoppers less willing to travel costly miles to save a few cents. Furthermore, the steady growth in the number of working women, who have neither the time nor the inclination to cherry-pick items from store to store, is more and more making the supermarket the place to fill all shopping needs, including general merchandise.

Suppliers are more aware than ever of supermarkets' growth potential and are tailoring displays and promotions to meet supermarket merchandising needs. Many have beefed up ad budgets to win retailer and shopper attention.

While all of this paints a rosy picture of GM, several factors cast a pall over the supermarket nonfoods marketplace. First, the high cost of money has retailers hustling to trim inventory wherever possible. While grocers concede the necessity for general merchandise's high profit margins, they are nonetheless paring order sizes and frequency.

Suppliers are also worried that flattening unit movement is aggravating already softening dollar sales and see the problem growing worse in the early 80's.

Second, the high cost of money is slowing the construction of new and larger units. Also, many firms that had big remodeling plans are proceeding with caution. This could hurt GM, as new, expanded or remodeled units have historically provided most of the increases in GM space allocation. If this trend blossoms in the 80's—and it appears that it will—GM may be in for a tough, perhaps even a losing, battle in the fight for more footage.

Third, a boom in sales of generics and "warehouse price" food is prompting some retailers to bump slower-moving GM items to make room for expanded no-name merchandise.

Hard lines: Gasoline-poor,

money-short shoppers may have stayed home more in 1979, but they made the most of it by buying the best in such items as glassware, barbecues, gadgets for gourmet cooking, toys and photo supplies at the closest one-stop-shopping outlet, the neighborhood supermarket.

Shoppers purchased upgraded, better-quality items from expanded hard lines departments and seemed undaunted by price hikes caused by inflation and the soaring costs of raw materials. Total hard lines sales in supers amounted to $3.5 billion in 1979, up over 21% from the $2.85 billion spent in '78.

Glassware/china: Supermarkets became bigger outlets for glassware and china in 1979 as shoppers

General Merchandise: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Glassware/China	9.20	$ 317.91	$ 308.29	3.12	8.30	$ 104.85	104	33.0
Dinnerware	4.62	159.68	176.95	– 9.75	3.88	49.02	27	30.7
Drinkware	2.13	73.63	64.86	13.52	2.02	25.48	37	34.6
Bakeware	0.86	29.77	31.79	– 6.34	0.82	10.39	11	34.9
All Other Glassware/China	1.59	54.83	34.69	58.06	1.58	19.96	29	36.4
Barbecue Items	5.90	203.67	169.74	19.99	4.29	54.30	25	26.7
Charcoal	3.54	122.20	121.44	0.63	2.25	28.47	8	23.3
Starter	0.82	28.20	24.84	13.53	0.66	8.38	4	29.7
Grills	1.36	47.00	19.32	143.27	1.20	15.13	9	32.2
All Other Barbecue Items	0.18	6.27	4.14	51.45	0.18	2.31	4	36.9
Furniture	3.68	126.90	89.70	41.47	3.36	42.56	25	33.5
Indoor	1.00	34.47	20.70	66.52	0.92	11.69	9	33.9
Outdoor	2.68	92.43	69.00	33.96	2.44	30.87	16	33.4
Plasticware	2.69	92.81	78.66	17.99	2.74	34.62	25	37.3
Cookware	7.38	255.03	240.12	6.21	7.25	91.56	53	35.3
Cutlery	2.04	70.61	60.72	16.29	1.64	20.76	13	29.4
Gadgets	2.31	79.68	71.76	11.04	2.82	35.62	28	44.7
Gardenware [Incl. Hoses]	1.00	34.47	27.69	24.49	1.17	14.82	22	43.0
Electric Ware	12.10	418.29	259.68	61.08	14.02	177.19	112	42.4
Batteries	7.89	272.59	136.62	99.52	9.75	123.21	42	45.2
Appliances	3.26	112.80	93.84	20.20	2.99	37.79	40	33.5
All Other Electric Ware	0.95	32.90	29.22	12.59	1.28	16.19	30	49.2
Toys & Sporting Goods & Hobbies [Excl. Needlecraft]	4.40	152.16	136.59	11.40	4.96	62.69	173	41.2
Rubber Gloves	1.72	59.53	38.64	54.06	2.17	27.38	20	46.0
Auto Supplies	7.86	271.62	246.93	10.00	6.17	77.96	24	28.7
Tools & Fix-It Items	1.07	37.03	30.36	21.97	1.06	13.44	7	36.3
Vacuumware & Styrofoam	1.59	54.83	34.50	58.93	1.50	16.97	23	34.6
Rubberware	0.50	17.33	14.69	17.97	0.62	7.89	5	45.5
Woodenware	0.27	9.40	11.04	– 14.85	0.30	3.82	8	40.6
Holiday Supplies	1.36	47.00	67.62	– 30.48	1.73	21.81	37	46.4
Photo Needs	14.84	513.08	332.16	54.47	10.96	138.47	39	27.0
Cameras	1.22	42.30	9.54	343.40	1.16	14.68	5	34.7
Film	8.48	292.96	178.04	64.55	5.38	67.97	24	23.2
Flashbulbs	2.22	76.82	62.46	22.99	1.84	23.20	6	30.2
Processing	2.92	101.00	82.12	22.99	2.58	32.62	4	32.3
Sewing Notions	1.27	43.87	22.08	98.69	2.12	26.80	139	61.1
Sunglasses	1.56	53.79	51.73	3.98	0.00	0.00	0	0.0
Fireplace Logs	1.07	36.96	34.74	6.39	0.63	8.02	4	21.7
Watches & Jewelry	1.27	43.87	31.16	40.79	1.56	19.70	79	44.9
Light Bulbs	11.16	385.06	343.85	11.98	16.63	209.85	50	54.5
Standard Household	8.92	307.82	274.94	11.96	13.32	168.07	25	54.6
Christmas	0.22	7.62	6.81	11.89	0.30	3.76	5	49.4
All Other Bulbs	2.02	69.62	62.10	12.11	3.01	38.01	20	54.6
All Other Housewares	3.76	130.03	141.07	– 7.82	4.00	50.58	51	38.9
Total	100.00	$3,454.93	$2,850.42	21.21	100.00	$1,263.63	1,066	36.6

% of total store volume . . . 2.20%

learned they could find these items on grocers' shelves.

Drinkware jumped over 13% in supermarket dollar sales in 1979 to total almost $74 million. Best-sellers in that category, reports Bob McCallum, market specialist, Anchor Hocking, were iced tea glasses and wine glasses. Wine glass sales achieved greatest gains in those supers with wine departments, especially when retailers used tie-ins.

As for bulk vs. packaged glassware, McCallum reports a 50:50 sales ratio. The move to UPC coding may tip the scales in favor of more easily marked packs, and Libbey does report heavier sales in 4-packs. However, packaged sales gains may be counteracted by penny-pinching consumers who simply don't want to pay extra for packaging or buy so many units in a single purchase.

Gadgetry: The trend to gourmet cooking, marked by strong movement for upscale mixing bowls, wood-handled kitchen tools and such items as vegetable brushes pushed sales of gadgets up 11% in 1979 to total $79.7 million. Says a spokeman for Ekco housewares, "We definitely sold more higher-end items in '79, thanks to shoppers' growing interest in food preparation and their more adventurous appetites. Supers promoted gadgets with more drop-ins, prepack displays, J-hooks and tie-in merchandising to spark sales.

Other housewares categories that enjoyed healthy gains in '79 were rubberware and plasticware. Both generated sales hikes of almost 18% over '78. Ticket increases sparked by the soaring costs of raw materials for oil-based products caused some of these gains.

At Rubbermaid, Roy Walter, national sales manager, reports '79 sales to supers up about 26% and that about 21% of that was real growth. He believes that sales increased despite price hikes because customers are more resigned to higher-retails. "Also, we're a name brand, and customers feel safer buying a name they know, especially when they're spending more for an item, " says Walter.

Tools and fix-it: Do-it-yourself shoppers increasingly look to supers to find the tools and hardware needed to fix up their homes. Tools and fix-it sales climbed almost 22% in 1979 and brought in almost $55 million that year.

In light of this impressive performance, Bulldog Jordan, Newel Co., hopes to expand supermarket hardware departments by UPC-coding items and cherry-picking a super-

Soft Goods: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hosiery	48.37	$416.43	$308.80	34.85	49.92	$174.48	99	41.9
Pantyhose	41.57	357.91	247.11	44.84	42.91	149.96	80	41.9
Stockings	6.80	58.52	61.69	– 5.13	7.01	24.52	19	41.9
Men's & Boys' Wear	9.62	82.79	59.13	40.01	9.55	33.37	63	40.3
Underwear	6.16	53.02	48.09	10.25	6.04	21.10	46	39.8
All Other Men's & Boys' Wear	3.46	29.77	11.04	169.66	3.51	12.27	17	41.2
Ladies' & Girls' Wear	0.84	7.25	7.86	– 7.75	0.94	3.29	9	45.4
Underwear	0.67	5.81	6.48	– 10.33	0.76	2.66	3	45.7
All Other Ladies' & Girls' Wear	0.17	1.44	1.38	4.35	0.18	0.64	6	44.1
Infants' Wear	0.91	7.82	6.90	13.33	0.94	3.29	2	42.1
Millinery	0.73	6.27	9.66	– 35.08	0.77	2.70	4	43.1
Gloves & Mittens [Not Rubber]	2.37	20.37	20.70	– 1.58	2.77	9.70	10	47.6
Socks	5.30	45.62	71.76	– 36.42	5.52	19.30	33	42.3
Shoes	1.82	15.67	38.64	– 59.44	1.69	5.92	5	37.8
All Other Apparel	0.55	4.70	9.66	– 51.34	0.58	2.02	1	42.9
Towels & Washcloths	11.46	98.70	74.52	32.45	10.04	35.08	39	35.5
Towels	7.46	64.23	46.92	36.89	6.52	22.80	22	35.5
Washcloths	1.82	15.67	9.66	62.22	1.30	4.53	7	28.9
Dishcloths	2.18	18.80	17.94	4.79	2.22	7.75	10	41.2
Pot Holders	1.27	10.97	8.28	32.49	1.33	4.66	9	42.5
Tablecloths & Placemats	2.18	18.80	23.46	– 19.85	2.21	7.71	14	41.0
Bed Coverings	1.98	17.10	8.38	104.06	1.73	6.05	16	35.4
Sheets & Pillowcases	0.24	2.10	1.48	41.89	0.20	0.69	11	33.0
All Other Bedding	1.74	15.00	6.90	117.39	1.53	5.36	5	35.7
All Other Soft Goods For The Home	3.46	29.77	26.22	13.54	3.39	11.85	15	39.8
Yarn	6.92	59.53	48.62	22.44	6.11	21.37	23	35.9
All Other Needlecraft Items	2.22	19.07	24.63	– 22.56	2.51	8.77	25	46.0
Total	100.00	$860.86	$747.22	15.21	100.00	$349.55	367	40.6

% of total store volume . . . 0.55%

THERMOS
$5.09

geared line from the firm's 3,000 sku's. A company spokesman reports assortment kits of nuts, bolts and screws with a retail of $1.99 as top sellers in supermarkets.

Light bulbs: The trend to brightening up the home extends, quite literally, to the light bulb category. Total supermarket light bulb sales reached $385.06 million in 1979, up almost 12% over 1978. Standard bulbs accounted for $307.82 million of that total.

However, this marks a darker picture. According to Ken Porterfield, manager of food marketing, GE Lighting Business Group, while sales climbed 10.2% in 1979, units rose only 3/10 of 1%. Why?

Reports Porterfield, "I attribute it to a greater awareness on the part of consumers for energy conservation. They're using less electricity. Also, smaller residential units require fewer lamps. Third, we see a cutback in decorative and extraneous lighting such as the kind used for florals, plants and outdoor security due to both the rising cost of energy and the move to conserving energy."

Flattening supermarket unit sales in light bulbs, says Bill Trummel, marketing services manager for Westinghouse, are due to the grocery channel losing sales to discount stores and home improvement outlets. Says Trummel, "Mass merchandisers are more price competitive, so there's been an erosion of supermarket's share of total."

Within the light bulb category, a spokesman for Sylvania reports a switch to costlier lower-wattage lamps that last longer. Fluorescent lights, such as Sylvania's Sun Stick and GE's Bright Stick, are examples of the move to fluorescence.

Electricware: While shoppers may not be plugging in as many lights as they had in former years, they're turning on more, as the growth of batteries confirms. Battery sales soared almost 100% in '79, bringing in $272.59 million.

Bigger departments, broader selection, super programs keep volume high

A spokesman for Union Carbide, makers of Eveready batteries, claims that alkaline batteries "have demonstrated a rapid rate of growth thanks to the longer-lasting, high-performance nature of the items."

Within the electricware category, supers enjoyed sales gains in appliances of more than 20% in 1979. Food stores now account for almost $113 million in sales of appliances. Most of the gains are through superstores and combo outlets.

Seasonals: Because shoppers stayed at home more, they took advantage of seasonal items in supers to make backyard leisure time more pleasant. Unquestionably, supers promoted seasonal merchandise more and boosted in-and-out displays. For example, barbecue items jumped almost 20% in 1979 over 1978, with grills soaring more than 143%. Indoor and outdoor furniture also enjoyed sales hikes of over 41% in '79 to bring the category's dollar total to $126.90 million.

Automotives: The days when a young service station attendant would smile and say, "Change your oil, sir?" have gone the way of the lindy hop and the 10¢ cup of coffee. Over 55,000 service stations have closed since 1972, and those that remain are mostly self-service. Service stations' share of oil sales shrank from 70% of retail volume in 1961 to about 25% in 1979.

The service station's loss is the mass marketer's gain. Supers are well on their way to grabbing a bigger share of motor oil and accessories sales. In 1979, supermarkets accounted for at least 6% of the 60% of the total market mass merchandisers took in for auto supplies. *CSA* figures place automotive sales for 1979 at $271.62 million. Marine items account for only a tiny portion of that. John Sutton, account manager, national accounts, comments, "We are looking for supermarkets to be equal in power in automotive sales to mass merchandisers within the next few years."

Reasons for the automotives boom: Supers are responding to the DIY auto maintenance trend and the trend to one-stop shopping; they've increased space allotted to automotives, broadened items selection and increased promotions.

Suppliers are reveling in the

growing supermarket sales. Paul Shipman, lubricant market development manager, Phillips Petroleum, reports his company has enjoyed a 62% increase in gallons of oil sold through supers.

Both Sutton and Shipman report an increase in popularity of "goof-proof," multiviscosity oils such as 10W 40. Consumers don't have to worry about changing oil every season thanks to the multigrade qualities of this oil.

Another trend begun in 1979 is sales of oil in multipacks. Phillips, for instance, has had great success with TropArtic 10W 40 in a 6-pack with an on-pack coupon. Pennzoil and Shell are among other suppliers launching multipack oils to supers.

The entrance of the big guns—Ford, Mobil, Shell and Gulf—into the supermarket arena marks another important characteristic of 1979 automotive sales. Says Phillips' Shipman, "We welcome them. It's healthy. Good, solid competition breeds better programs."

The accessories market also did well as customers, drawn by price-promoted motor oil, picked up some needed aftercare products on impulse and at much higher margins.

However, the money pinch is felt here also. Jack Tranter, sales manager, Turtle Wax, notes an early 1980 retailer trend to buy bigger from fewer suppliers in an effort to take advantage of all price breaks and keep better track of shipments.

Photo: "In real terms, the 1978-79 period can be viewed as an extremely high plateau. In overall size and breadth of market penetration, the American photo industry has never been in better shape," notes the latest Wolfman report on the United States photographic industry.

The same banner year statement fully applies to the grocery store photo market. Total photo needs sales reached $513.08 million in 1979, up over 54% from 1978. Film captured the bulk of those dollars, accounting for $292.96 million. Processing held its own with a sales total of $101 million in 1979.

The hottest film news in 1979 was the soaring costs of raw materials. Silver and petroleum cost hikes—not to mention rising prices paid for energy—jacked up the tickets for both film and processing. Kodak, for example, raised film prices to its customers 6%-6½% in 1979; in 1980 the company tacked on another 10%-20% increase, reports Glenn Taylor, Kodak's marketing specialist, food trade.

Yet consumers, still celebrating birthdays, anniversaries and graduations, kept buying film to record these occasions. They chose the supermarket as their photo needs outlet because one-stop shopping and earlier and heavier price promotions on film and processing drew them in record numbers.

Shoppers' choice of film shifted in 1979 as amateur shutterbugs bought more 35mm rolls to use with their new, promotionally priced 35mm cameras. Solid sales in instant film and photo paraphernalia marked another shopping trend for 1979 and helped push Polaroid's sales in supers up 41%, reports Mike Hickey, marketing manager. "Food stores continue to be our fastest-growing segment," he says.

According to Ron Dubner, national accounts manager, supermarket sales for Fuji, unit sales in supers climbed about 35% over 1978. Dubner confirms the trend to 35mm and also reports climbing sales for 24-exposure film.

Processing sales benefited from supers' strong film movement in 1979. Fox-Stanley reports that overall business grew 20%-25% in 1979. According to dealer advertising and sales promotion director, Janice Jenkins, stores with clerk-assisted photo departments enjoyed greatest gains. In fact, Fox-Stanley figures report 50% higher volume in stores in which the photo and processing department were clerk-assisted.

As for cameras, while more supers sold them in 1979, the demand for service and the high tickets on these items hindered the subcategory from really taking off.

In the flashbulb category, flash cube sales began to soften in '79, according to a source from Sylvania. Flip flash and flash bars, used in instant and instamatic-type

Unit Movement

The following chart shows each soft goods category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Hosiery	93	31.88
Pantyhose	68	23.32
Stockings	25	8.56
Men's & Boys' Wear	15	5.13
Underwear	6	2.05
All Other Men's & Boys' Wear	9	3.08
Ladies' & Girls' Wear	3	1.03
Underwear	0	0.00
All Other Ladies' & Girls' Wear	3	1.03
Infantswear	1	0.34
Millinery	1	0.34
Gloves & Mittens [Not Rubber]	10	3.42
Socks	25	8.56
Shoes	4	1.37
All Other Apparel	1	0.34
Towels & Washcloths	71	24.31
Towels	30	10.27
Washcloths	18	6.16
Dishcloths	23	7.88
Pot Holders	8	2.74
Tablecloths & Placemats	5	1.71
Bed Coverings	3	1.02
Sheets & Pillowcases	1	0.34
All Other Bedding	2	0.68
All Other Soft Goods For The Home	11	3.77
Yarn	37	12.67
All Other Needlecraft Items	4	1.37
Total	292	100.00

cameras, picked up volume thanks to the rising popularity of instant photography.

Toys: Electronics sent sparks flying in the toy category during 1979. Despite microprocessor chip shortages and very high tickets, supermarketers bought, promoted and sold these items by the carload.

This year, though, will see the electronic craze subside for supermarketers. That's because many retailers who went whole hog into the field are now restrained by tighter budgets and inventory checking. Several retailers report cutting sku's to two or three items while boosting space for basic toys.

Supermarkets, though a growing outlet for toy sales, account for about only 2% of total toy volume. *CSA* research shows supermarket sales topped $152 million in 1979, up over 11% from '78. Both retailers and toy suppliers are aiming even higher in 1980 and will step up toy promotion, sharpen merchandising techniques and allow one-stop shopping to help build their reputation as toy outlets.

Toy sales trends for supers in 1979 include boosted popularity of die-cast trucks and licensed and branded merchandise. According to Sheldon Steinfeld, president, Playtime Fun, die-cast items are up because shoppers moved away from high-priced plastic toys and opted for die-cast. As for licensed goods, Steinfeld believes that consumers faced with a dwindling money supply want to bank on a name brand or character they know.

Steve Kahn, vice president, Schuco Toy Co., also points to low-end basic rack items as still showing strong sales in supers. He and Fisher-Price's Peter Breen, manager of sales and promotion, report that their firms are "seriously analyzing" supermarkets as a more important outlet for toy lines. Says Breen, "Our research on pricing, marketing, merchandising, promotion and product mix will allow us to formally go after supers by year-end 1980."

One more new note sounding in supers: Though still in the planning stages, sporting goods suppliers such as Zebco and Penn Fishing Tackle are beginning to take a more systematic approach to supermarkets they claim are a "potentially viable part of their business." Larger supers that have been restricted in their sporting goods offerings due to lack of display packs and merchandising vehicles will see that changing in 1980.

ROYAL OAK
Firewax

Zebco, for example, now offers Clam-Pack, a plastic-wrapped reel for $2.99-$14.99 in supers and a shrink-wrapped rod and reel combo with line that retails for $4.96-$14.95.

Ed Hochreiter, sales manager for Penn Fishing Tackle, notes, "Our prepack merchandise may be bigger in supermarkets, especially our spare parts and spools, which are bought mostly on impulse."

Soft goods: Supermarkets have come a long way since the days when they first blundered into more-than-dishtowel soft goods lines of apparel and domestics. Today, thanks to such suppliers as Hanes and Fruit of the Loom having geared packaging and promotion to supermarkets, sales are gaining ground.

Supers are giving more space to the category—an 8-16 linear foot department is no longer unusual—and advertising items with more regularity. Michael Denniston, GM department manager, Affiliated Food Stores Inc., comments, "We are starting to see growth in soft goods because we decided to push it. We're just now giving it the space it needs because, well, we've already saturated our stores with other GM, and we've finally gotten around to paying attention to soft goods." He reports sales growth of 15%-20% in 1979, including a 9% inflation factor.

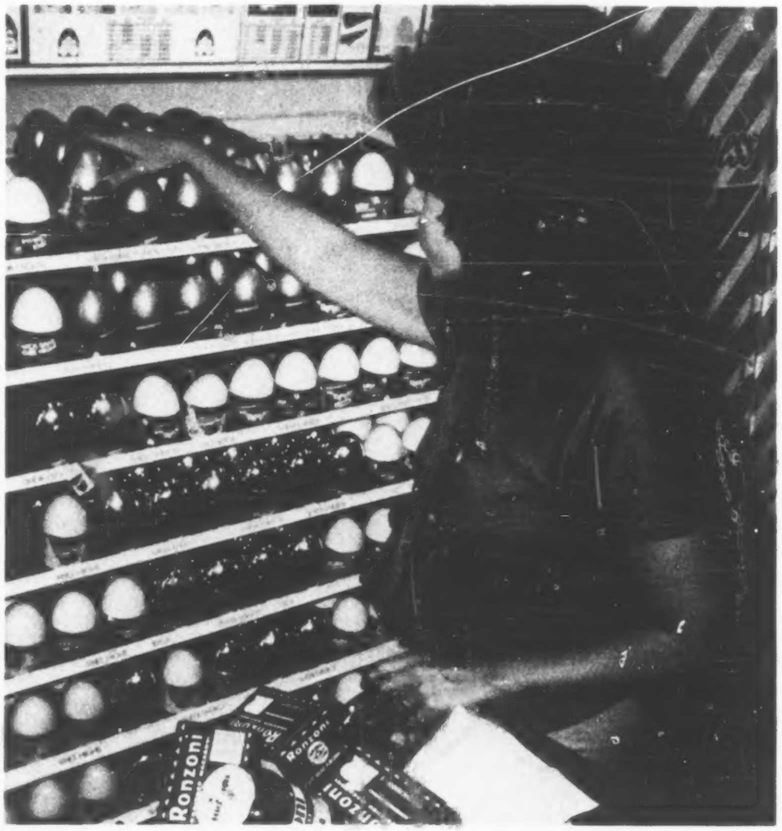
The soft goods category reached over $860 million in 1979, up more than 15% over 1978. Gross margins averaged about 41% to bring gross profits to over $349 million. (Note: Adjustment of 1979 *CSA* figures to account for the growing number of direct-store-delivered items may have resulted in percentage-of-change numbers that are smaller or larger than expected.)

Hosiery, and more specifically pantyhose, far and away enjoyed the greatest volume last year. Supermarkets took in $416.4 million in 1970; $357.9 million in pantyhose, which climbed almost 45% over 1978.

According to an industry source, much of that growth was incremental, but some of the increase is probably due to supers siphoning market share from specialty stores and variety chains that have eliminated hosiery from their offerings. Supermarkets now account for about a 22.6 share of the total hosiery market, according to Ray Farris, national sales director, Hanes DSD.

Nonsupport pantyhose and knee-highs took in the bulk of pantyhose dollars in 1979, but sources say support, panty-top and control-top items are gaining in 1980 as today's active American women—wearing more dresses and skirts than they have in previous years—look for comfort and support as well as style.

While suppliers are delighted with strong supermarket hosiery sales, rising costs of raw materials are causing them concern. Nylon and other materials are petroleum-based, and soaring oil prices have pushed tickets upward. For example, L'Eggs increased its pantyhose prices from $1.38 to $2.07. Still, the items are a necessity, and shoppers are buying them in supers in growing number.



Socks: Conventional socks sales dropped in '79, but sport-style tube and athletic socks rose as health-minded shoppers exercised, jogged and tried to keep fit. Shoppers chose better-quality, higher-priced socks, and suppliers responded by developing super-geared packaging for these items.

Translated to dollars, socks sales reached about $46 million in 1979. Though some socks prices rose 5% due to cost hikes in petrochemical fibres, major suppliers posted sales gains of about 10%.

Ira Kassak, vice president sales and marketing for Kayser-Roth socks division, reports a 10% dollar hike in '79 but a unit flattening. "We saw a healthy increase in sales of sport socks at the expense of conventional styles. Still, our supermarket business rose by 8% in 1979."

Underwear: The underwear story was in multipacks in 1979. Men's and boys' T-shirts and briefs moved especially well in supers. While sales were good, Paul Gottlieb, director of market development for Union Underwear, said they could have been far better if supers were more price-conscious. "Supers need to understand that their competition in underwear is not just other supers but the discounters who price-promote these items."

Shoes: After shoe sales leaped and bounded through the mid- and late 70's, thanks to jogger mania, the market fell almost 60% in 1979. Ed Rene, sales assistant, Robert Shoe Co., attributes the decline to serious runners buying high-ticket shoes at athletic shoe specialty shops.

Knitwear: While supers tripped over rocky shoe sales, they found smoother footing in the knitwear category. For example, gloves and mittens grabbed over $20 million in supers.

Knitwear sales climbed because gasoline shortages kept one-stop shoppers in supermarkets longer. Heating-fuel shortages prompted shoppers to turn to knitwear to keep warm.

Zwicker's Knit Street line doubled its supermarket volume over the past three years, notes a company official. At Wells Lamont, sales through all food outlets, including convenience stores, jumped 20% over 1978, according to Byron Gilbertson, marketing manager.

Domestics: In keeping with the DIY trend to "spiff up the house," sales of domestics saw good growth in supers. Towels and washcloths sales totaled about $99 million in 1979, up about 33% over 1978. Pot holders alone brought in almost $11 million in supermarket sales. Bed coverings, including sheets, pillowcases and blankets, totaled over $17 million, up substantially from 1978.

Again, greater consumer demand for these items in supers increased retail attention to the category. Supermarketers upped space and promotions to spark sales.

In kitchen domestics, trends include the popularity of patterns and checks and a move toward merchandising items with header cards that allow peg display. Shoppers are also upgrading and choosing higher price points.

High-quality items in earth-tone colors move best in bath towels. Fringes are disappearing as shoppers purchase hemmed items.

While most suppliers of domestics agree that 1979 sales were strong, they also agree that the forward-orders for 1980 are weaker. Inventory cinching, the drop in shoppers' disposable incomes and price hikes may siphon some of the steam from this full-speed-ahead category. ☐

Tabs, comics brighten troubled area

As the story opens, Supermarket Retailer, after several years of fending off the alluring Publications, begins to yield to her seductive fast turns, high sales and enticing profits. But just before our hero succumbs, villain Economy enters and slashes Publication's unit sales. At a loss, Supermarket Retailer searches for ways to restore Publications volume. Will he turn to tabloids, comics, computers or better merchandising? Will he ever find an answer?

The real-life publications story in supermarkets may not be that melodramatic, but it is certainly as critical. While dollar sales for publications topped $1 billion in 1979, climbing 15.41% over 1978, these seemingly healthy numbers mask a much more sickly situation. Unit sales for magazines were flat in 1979; paperbacks units actually fell somewhere between 10% and 12%. Even the tabloids struggled, though their lower prices put them in a somewhat better position to contend with the recession.

The truth is that consumers are not buying as many publications as they once did. Caught in a tightening economy that is cinching disposable income, shoppers think twice before spending money on magazines and books. They might even think three times before paying 20%-25% higher cover prices for magazines and 30%-40% higher prices for paperbacks.

These steeper tickets—brought about by increasing paper, printing and trucking costs, astounding royalty fees paid to best-selling authors and the country's economic plight—have squashed multiple purchases of publications. Magazines are bearing the brunt of this, because shoppers now buy only one title whereas in the past they bought two or three.

Magazine publishers cannot afford to keep raising prices, though, because if they get too high, the business will reach a point of diminishing returns. According to Jim Pelletier, executive vice president, J. L. Marshall News, division Scott-Krauss in Cincinnati, "Now we're beginning to see public resistance in the form of unit drop-off for specific titles." Because many magazines must meet a specified circulation level to guarantee advertisers a certain readership, if prices go too high and sales drop too low, the result may be deadly

While early 1980 unit sales are still low, many industry sources believe that the slope is temporary. Once consumers get used to seeing these higher cover prices, they claim, units will pick up again.

"After all," says one publisher, "the gasoline crisis has to keep people at home and reading more. Magazine and paperback sales will have to improve."

One way shoppers may be combating the problem is by switching to lower-price titles. For example, according to Roger Scherer, president, Scott-Krauss News Agency, this kind of purchasing shift is in part responsible for keeping unit sales flat rather than forcing them downward. "For instance," says Scherer, "shoppers are buying *People* as opposed to a more expensive fan magazine. Or they've moved from a more expensive magazine to a cheaper tabloid."

The fighting tabs: Tabloids

FARM FRESH
Little Golden Books for Christmas

should be benefiting from the economy crunch since their 40¢ average price doesn't make much of a dent in a shopper's food budget. In fact, both the *Star* and the *Globe* are seeing growth in units and dollars.

The tabloid marketplace, though, is increasingly competitive and it is this competition that, along with the economic situation, is hurting the *National Enquirer,* the market leader.

Sales for the *Enquirer* are flat, reports Neal Carey, senior vice president. "The economy has something to do with it," he explains, "but also when we first got into supermarkets, there were only six publications at the checkout. Today, there are 12-24 titles there, and all of them are competing for a shrinking number of consumer dollars."

To counter the flattening unit movement, Carey reports the *National Enquirer* is moving away from its past sensationalistic approach and fashioning a more conservative image that will appeal to a broader spectrum of shoppers. The company is also maintaining RDA's and using TV more to push unit sales up.

The *Star,* which is admittedly "chasing the *Enquirer* in sales," is using major TV promotions and distribution through wholesalers to step-up sales. Apparently, they're running a good race.

Fred Ward, retail sales manager for the *Star,* reports that for July-December 1979, *Star* sales neared 14 million, an increase of 1.27% over last year.

Why is the *Star* rising? Ward attributes it to shoppers viewing the title as more creditable than the *Enquirer.* He also feels that the shopper switch to tabs from higher-priced magazines helps build *Star* sales.

The *Globe,* after suffering a unit drop-off in the first six months of 1979, is now posting good growth, according to executive vice president Aubrey Burke. Burke credits the "more sophisticated editorial content," the addition of color and the name change from *Midnight* to the more respectable *Globe* with increasing the tabloid's unit sales.

Two new tabloid entries, the *Enquirer's Weekly World News* and the *Globe's National Examiner,* are also joining the fight for checkout position and higher unit sales. It is still too early to gauge results.

Comics bid for space: Tabloids are not the only publications stepchild to fight for more supermarket attention. Comic books, long neglected by retailers, are making more aggressive bids for supermarket space.

Marvel Comics Group president, James E. Galton, says that supers have resisted comics in the past for fear kids would "hang around the magazine racks," impede publications sales and disturb traffic flow. The fact is, reports Galton, that where supers have tested spinners or permanent racks of comics, they've done well.

Marvel vice president of circulation, Ed Shukin, explains why supers are losing out if they don't have some comic book selections. "Cities were always the home of the corner candy store, and that's where kids bought comics. When the population shifted to suburbs and country, those outlets didn't follow them. Thus, supers have an easy shot at becoming the next big outlet for comics sales and considerably boosting their overall publications sales."

Shukin stresses the category's profitability. He reports that in a test in Stop & Shop, one 50-pocket spinner rack turned an average of 22 times per year. "That means," says Shukin, "that supers sold 9,000-10,000 units per month in a foot and a half of space, which, at retails of about 50¢, comes to about $1,800 per year in gross profit from that single rack."

Problematic paperbacks: The most critical unit drop-off is in paperback books. Logically, if consumers pause before laying out $1.50-$2.00 for a magazine, they'll hesitate even more before paying $2.95 and up for a book they probably can read in the library.

Many industry leaders blame the intense competition among publishing houses in bidding for blockbuster best sellers as the main reason for the price hikes. But as is the case for magazines, higher printing, paper and trucking costs have a negative impact on sales.

Not all paperback titles are off, though. Harlequin Romances, for example, did very well. The successful Canadian firm will face stiffer competition this year from Silhouette Romances, new from Simon & Schuster. Silhouette's first nine titles are already in distribution in over 10,000 outlets. Sources report the publishing firm is attempting to establish itself as a name brand, following in Harlequin's profitable footsteps.

Unit Movement

The following chart shows each book & magazine category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Books & Magazines	313	100.00
Category Total	313	100.00
Total	313	100.00

In addition to romances, top 10 best sellers move well in supers, especially when retailers use special signed displayers to highlight titles.

Dollar sales gains that top 15% mask most critical problem facing the category

However, if supers are going to do a better overall job with publications retailing—and achieve the 1% of total store sales that experts believe the category could have—they're going to have to do a better job with title mix in individual stores. By far the most widespread retailer complaint about publications is understock at the checkout and overstock of slow sellers at the main line.

Some strides were made last year to remedy this situation as more wholesalers computerized operations to gather more accurate data on what was selling, how fast and from which stores.

United News Co., for example, instituted a two-pronged approach to making their operations more sophisticated, reports Richard Steck, vice president and general manager. The company hired an outside marketing service to check stores and prepare stock return forms. The return information is immediately sent to and processed by a computer. The data is then used to calculate accurate stock orders. Steck reports that United News has lowered average supermarket returns to under 30% from the former 38% return level.

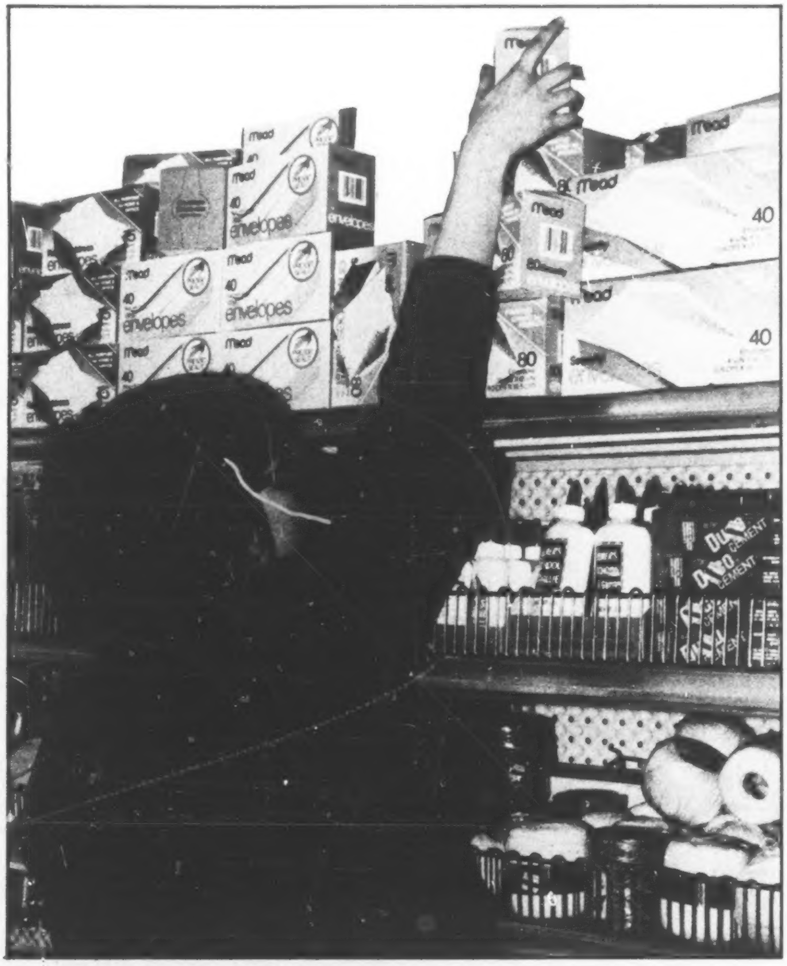
Furthermore, the more effective ordering system means that greater attention can be paid to demographics in selecting individual store titles. ☐

Books/Magazines: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Books & Magazines	**100.00**	**$1,033.96**	**$895.90**	**15.41**	**100.00**	**$314.32**	**84**	**30.4**
Magazines	60.30	623.49	—	—	—	174.56	—	28.0
Paperbacks	32.99	341.20	—	—	—	95.54	—	28.0
Tabloids	6.71	69.28	—	—	—	28.40	—	41.0
Total	**100.00**	**$1,033.96**	**$895.90**	**15.41**	**100.00**	**$314.32**	**84**	**30.4**

% of total store volume . . . 0.66%

Trend to home offices buoys sales



Nobody likes paperwork. But everybody's got to do it. These two simple truisms explain the increasing importance of stationery and school supplies as a general merchandise category in supers. The trend to home offices, heightened emphasis consumers place on price/value relationships and suppliers' more energetic attempts to gear packaging to supermarket needs all contributed to the category's healthy gains.

A quick review of '79 sales figures shows the overall category jumped over 32% from 1978. Dollar volume for 1979 reached $433.22 million in supers, up from $351.35 in 1978.

Some of the most sizable increases came from home and office supply items. Zero population growth, dwindling school enrollments and the explosion in the number of women entering the labor force—working both out of their homes and in offices—take credit for a major part of supers' gains.

Consumers are also keeping more detailed personal financial records in an all-out effort to stay above water during this difficult economic period.

Furthermore, reports Paul Terry, marketing manager, mass markets for Avery Label, the exodus to suburbia has had an impact on stationery sales. Says Terry, "The traditional stationery dealer has remained almost exclusively in downtown locations. Almost 60% of stationery dealers are downtown, but about 70% of total retail sales are coming from suburban stores. There is a major dislocation between population and channels of distribution." Thus the supermarket has a specific niche to fill.

Scrutinizing figures: The trend toward heavier purchase of office supply items reveals itself in a closer look at *CSA* numbers. Envelope sales jumped 25% over 1978, and typing and carbon paper rose over 51%. More traditional school supply items, such as binders and filler paper, fell 5% and 2%, respectively. However, the trend to office items helped keep overall sales in the category on an even keel.

One subcategory—pens, pencils and felt-tips—climbed a strong 57% in 1979. The big news there was the increased activity in thin-lead, mechanical pencils, reports Robert Parker, national sales manager for Scripto.

Why are shoppers choosing a 98¢ or more mechanical pencil over less costly wood-case items? Says a spokesman for Berol, a leading pencil manufacturer, "Consumers are considering price and value. The initial investment might be a bit more, but the mechanical pencil never needs sharpening and looks attractive, and a pack of refills costs only about 75¢. Shoppers feel they're getting better value for their money."

In the pen department, ball-point multipacks moved well in 1979. "People want value and quality. They're getting that with good items in a multipack," says a Bic executive.

Boosted backing: Sales hikes in supers are getting more support from suppliers, whose growing awareness of the special needs of supermarkets is prompting some revamping of packaging. One major paper supplies firm notes that it reduced the size of case and inner packs to warehouses to help supers spark turns. Also, the firm cut the quantity of items per display to "promote faster sell-through in supers."

Although not a school or office supply *per se*, U.S. Playing Cards "took out the blister pack card and put a tab on the pack itself so that supers can save space. You can get twice as much product in the same area," reports Bill Tuttle, advertising manager.

Greeting cards: Supers have expanded space for greeting cards in 1979 in a push to broaden selection and establish an image as a serious greeting card outlet. John Kelly, national supermarket sales director at Ambassador Cards, reports average departments of 42 linear feet in those supers his firm services. These stores average 10%-12% of pretax net profit from less than 1½% of sales, he claims.

Greeting cards and wrap posted an almost 17% sales increase. Volume totaled $84.29 million. The trend to one-stop shopping and suppliers' greater sophistication in dealing with supermarket-style merchandising account for much of these sales increases.

American Greetings' effort to help supers build greeting card sales includes a new line of fixturing set for September introduction in supermarkets. But a spokesman for the company complains that supermarket retailers still don't understand greeting cards. He claims that instead of watching net profits, retailers consider only turns when evaluating the category.

"Supers see our two or three annual turns and feel the category isn't worth it. But if they'd see that average supermarket sales per square foot equal about $6 compared with greeting cards' $29 per square foot, they'd think differently," he notes.

Of course, the perennial greeting card problem is inventory. Most major greeting card companies contend they still have to fight for understock space in order to avoid out-of-stocks.

Gibson's Everything Up system for their line of Buzza greeting cards is selling "dramatically," according to H. W. Halvorson, vice president. The system was developed specifically to give more shelf space to inventory and to eliminate the need for understock.

Gift wrap: Suppliers of gift wrap report that paper with recognizable characters, such as Holly Hobby, and recognizable designs are moving well. Best sales are coming from gift wrap packs that include matching ribbon, paper and cards. ☐

Stationery & School Supplies: 1979 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Stationery & School Supplies	**100.00**	**$433.22**	**$351.35**	**23.30**	**100.00**	**$294.38**	**220**	**47.2**
Envelopes	8.32	36.03	28.98	24.33	9.03	18.45	12	51.2
Tape	9.04	39.17	45.81	– 14.48	9.26	18.92	12	48.3
Fillers	4.70	20.37	20.70	– 1.58	3.82	7.80	5	38.3
Pens, Pencils, Felt Tips	14.46	62.66	40.02	56.57	14.78	30.20	38	48.2
Tablets [Incl. Steno Pads]	6.87	29.77	24.84	19.85	7.56	15.45	17	51.9
Stationery	2.33	10.10	8.86	14.00	2.40	4.91	4	48.6
Crayons, Chalk, Markers	5.06	21.93	13.80	58.91	5.50	11.25	11	51.3
Binders	1.81	7.83	8.28	– 5.42	1.60	3.27	7	41.8
Subject, Theme Notebooks	6.87	29.77	20.70	43.82	6.95	14.20	16	47.7
Paste, Glue, Mucilage	4.34	18.80	11.04	70.29	4.81	9.83	7	52.3
Memo, Scratch Pads	3.25	14.10	12.42	13.53	3.35	6.85	10	48.6
Typing, Tracing, Graph, Carbon Paper/Pads	1.45	6.27	4.14	51.45	1.59	3.24	4	51.7
Twine, Labels, Brown Wrapping Paper	0.46	2.01	2.76	– 27.16	0.53	1.08	2	53.8
Rulers, Compasses, Protractors	0.72	3.13	1.38	126.81	0.83	1.71	8	54.5
Art Materials, Paints, Brushes	0.72	3.13	4.14	– 24.39	0.77	1.57	6	50.0
Erasers, Eradicators	0.72	3.13	1.38	126.81	0.87	1.78	3	57.0
Sharpeners, Staplers, Staple Removers, Paper Scissors	1.08	4.70	4.14	13.53	1.25	2.55	7	54.2
Rubber Bands, Clips, Pins, Staples, Fasteners	0.72	3.13	2.76	13.41	0.87	1.78	5	57.0
Folders, Files, Index Cards	1.45	6.27	6.90	– 9.12	1.55	3.17	8	50.6
Playing Cards, Chips	1.81	7.83	5.52	41.85	1.46	2.99	5	38.2
Gift Wrap, Greeting Cards	19.48	84.29	64.84	30.00	16.95	34.64	13	41.1
All Other Stationery Supplies	4.34	18.80	17.94	4.79	4.27	8.72	20	46.4
Total	**100.00**	**$433.22**	**$351.35**	**23.30**	**100.00**	**$294.38**	**220**	**47.2**

% of total store volume . . . 0.26%

1980 Equipment spotlight

Under Lew Schaeneman Stop & Shop's coming back

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
August 1980

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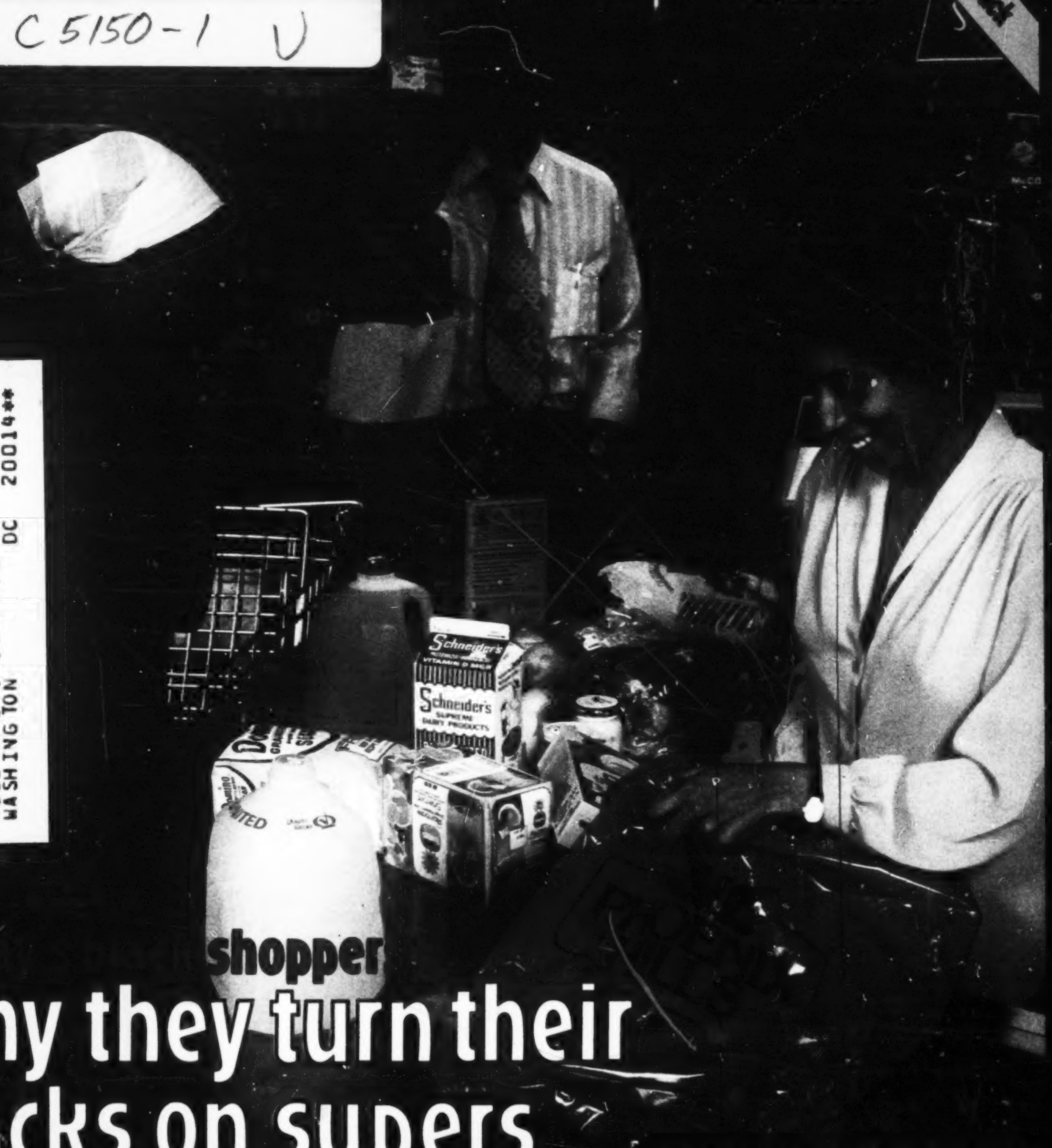

Schneider's
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SUPREME
DAIRY PRODUCTS

shopper

Why they turn their backs on supers

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Chain Store Age Supermarkets

August 1980

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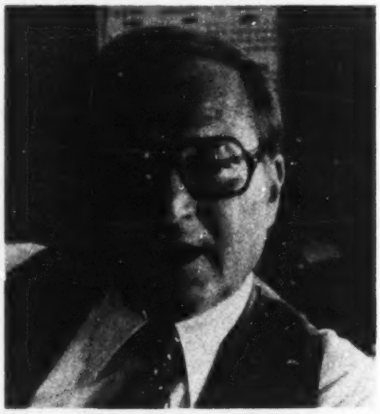

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Why black shoppers turn their backs on supers

A supermarket manager who routinely turns away every 10th shopper will soon be hunting for a new job, maybe even a new career. No question about that. Yet supermarket operators regularly ignore an even larger segment of the market—America's 26 million black consumers.

This is a costly oversight. Black purchasing power exploded in the 1970's, soaring from $30 billion at the beginning of the decade to $100 million today. By 1987, this taken-for-granted business will be worth an astounding $200 billion!

And blacks enjoy a good meal as much, if not more, than their white counterparts. According to the World Institute for Black Communications, black Americans spent $16.4 billion on food last year, exclusive of $3.8 billion devoted to eating away from home. Spending included $15 million on barbecue sauce, $62 million on salad dressing and $271 million on potato chips. Blacks also whet their whistle with $360 million worth of wine and champagne and $165 million in malt liquor.

Blacks are also notable consumers of a number of other important supermarket products. Despite the fact that they represent 11.8% of the population nationwide, these forgotten shoppers buy 23% of the chewing gum, 14% of the instant mashed potatoes, 17% of the floor wax and 36% of the hair conditioners.

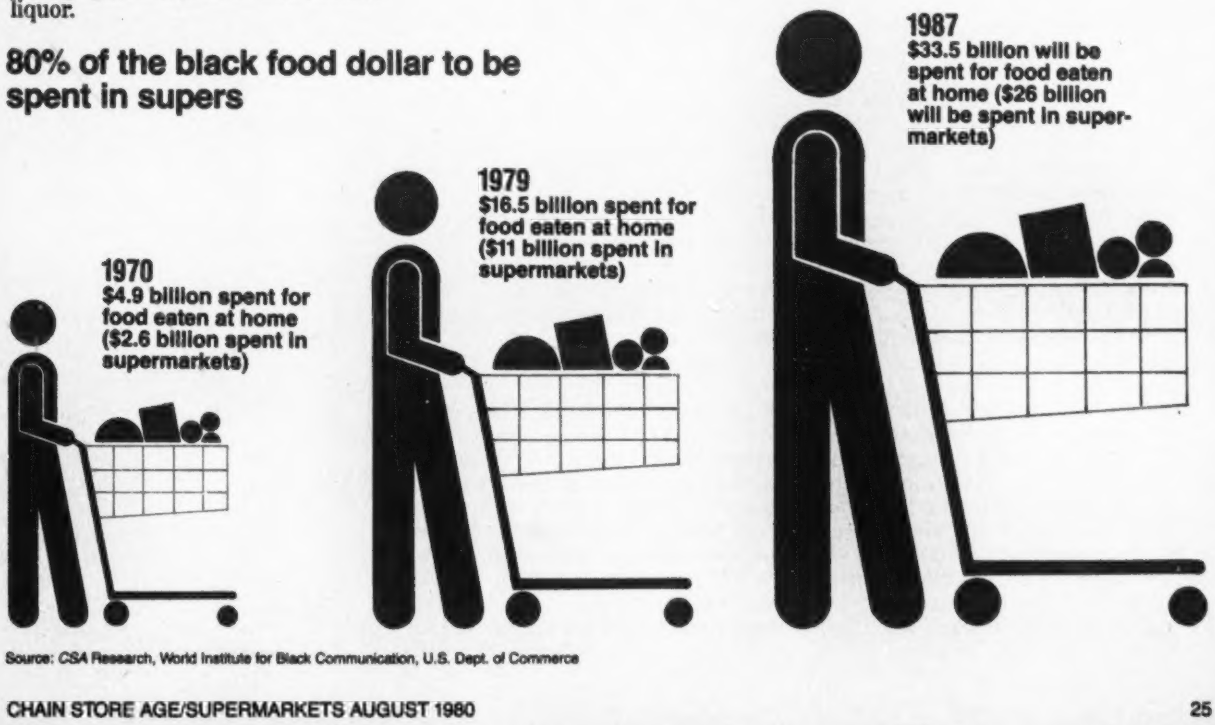
Blacks tend to be more brand-conscious than whites. Private label and generics have little appeal

But the most amazing fact of all is that less than 70% of all blacks shop in supermarkets. This is a marked improvement over 20 years ago, when little more than 50% of blacks patronized supermarkets, but it certainly shows that chains pressing to boost volume are overlooking a promising source of incremental sales.

"There are a lot of reasons for this," claims Tom Tipton, a black businessman who heads Minneapolis-based Vanguard Advertising Agency. One is the low density of supermarkets in the inner city. This forces black shoppers to turn to local mom-and-pop operations that plugged the gap after the supermarkets followed the white flight to the suburbs.

"But the main reason, quite frankly, is that very few supermarkets let us know that we are welcome in their stores," says Tipton. "Black shoppers are looking for an invitation." The man who heads the country's largest black ad agency considers this the key point of any campaign to attract more black consumers to the supermarket. "It's as simple as issuing a formal invitation to friends. When you get invited to a party, you know you're wanted. You know what type of affair you're

80% of the black food dollar to be spent in supers



Source: *CSA Research*, World Institute for Black Communication, U.S. Dept. of Commerce

Why blacks turn their backs on supers

going to. You know what to wear. You know what's expected of you—and you know what to expect." On the other hand, says Tipton, if there is no such invitation, many black shoppers will assume they aren't wanted—and will spend their grocery budgets elsewhere.

Lack of understanding: The problem: Most supermarket operators don't extend that invitation. This is the result of a simple lack of understanding of the wants and needs of black shoppers, not some sneaky form of racism. The greatest indictment, however, is that few supermarketers are expending resources to fill in the data gaps with an accurate picture of their black customers. The result is that black spending in supers is more by accident or happenstance than by conscious thought. This is a sharp contrast to the massive effort super chains make to guide and mold white shoppers' purchase patterns.

Putting a lot of black bodies into store worker uniforms—or even the store manager's office—does not greatly improve a super's standing with potential black patrons. "It's O.K., but not all that important," states Tipton. "Besides, it sometimes reeks of tokenism and appeasement. Black shoppers see through that sort of thing. Sure, we want our rightful share, but nothing is gained by overdoing it."

In fact, white employees sometimes play a pivotal role in determining the success of inner city supers. At least one black grocer, Peggy Hicks of Pittsburgh's Phoenix Hills Shop n' Save, insists that her store benefited greatly when an off-duty white policeman joined the unit's security force. Blacks are more accustomed to dealing with white law enforcement personnel, and this deeply ingrained irrational belief sometimes makes it easier for the white guard to function more effectively.

"What black shoppers want to see are the products we use every day," says Tipton. "And we want to see them advertised and on display the minute we walk in the store."

Or as one black shopper told *Chain Store Age* during an in-the-aisle dialog: "If you want me to shop here, don't show me six different cans of grapefruit juice and only one kind of grape. I don't like grapefruit juice, and I don't buy it. Give me a choice of grape drinks, and I'll be happy to buy." ☐

Full displays of yams, specialty meats and greens tell black shoppers they're "invited."

More big chains join swing to inner city

Revitalization movements in many of the nation's big-city neighborhoods are luring a growing number of major chains back into the hub of ethnic communities.

Food giants such as Pathmark, A&P, Acme and Kroger see a tremendous opportunity in the highly segregated—and predominantly black—market areas that were taken over by independents when the big chains joined the middle-class exodus to the suburbs back in the early 60's.

Here's a sampling of back-to-the-city ventures:

- Determined to "stick with the cities instead of running away," A&P recently hatched a 30,000-sq.-ft. superstore smack in the middle of the Ironbound section of Newark, N.J. Management expects the unit to generate over $200,000 a week.
- Returning to within a stone's throw of its original site, Acme Markets this past winter premiered its prototype of the 80's in a rehabili-

Black shopper "best seller" list

Rank	Product carried in a supermarket	1979 purchases in millions of dollars
1	Wine/champagne	$360
2	Potato chips	271
3	Malt liquor	165
4	Rice	132
5	Paper towels	100
6	Flour	92
7	Salt/seasonings	82
8	Chewing gum	79
9	Canned milk	72
10	Salad dressing	62
11	Hair conditioner	62
12	Corn meal	60
13	Bleach	37
14	Lard	33
15	Cleansers	32
16	Pickles	31
17	Instant potatoes	24
18	Vinegar	20
19	Dried beans/peas	18
20	Barbecue sauce	15

Source: CSA Research

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tated section of Philadelphia. Opening week sales topped $400,000 and it's shooting for half a million once it hits stride.

- Pathmark, one of the leading forces in the competitive northeast, is one of a handful of corporate chains carving a niche in New York City, a melting pot of ethnic communities dominated by independent operators. Its 30,000-sq.-ft. super in the heart of one of the most economically depressed areas of the country—the Bedford-Stuyvesant section of Brooklyn—generates more than $400,000 a week.

Blacks have sought status by buying brand names disproportionate to their earning power

While expanded funding by financial institutions along with new Federal programs are spurring inner-city rehabilitation projects, supermarket operators still have to contend with the problems inherent in big cities: rising crime, vandalism, shoplifting and higher occupancy costs.

Moreover, wide ethnic diversities require a keen understanding of each store's unique needs. Sloan's Supermarkets, for instance, has been successful as a strictly inner-city operator (New York) because of a strong community involvement of top executives, product supervisors and merchandisers, district managers in the field and store managers and their staffs.

Pathmark's inner-city success comes, in part, from a "better display effort" when merchandising ethnic products. "Except for ethnic displays, we merchandise our city stores the same way as our stores in the suburbs," says a chain spokesman. "It makes little sense *not* to emphasize ethnic products if you're carrying them."

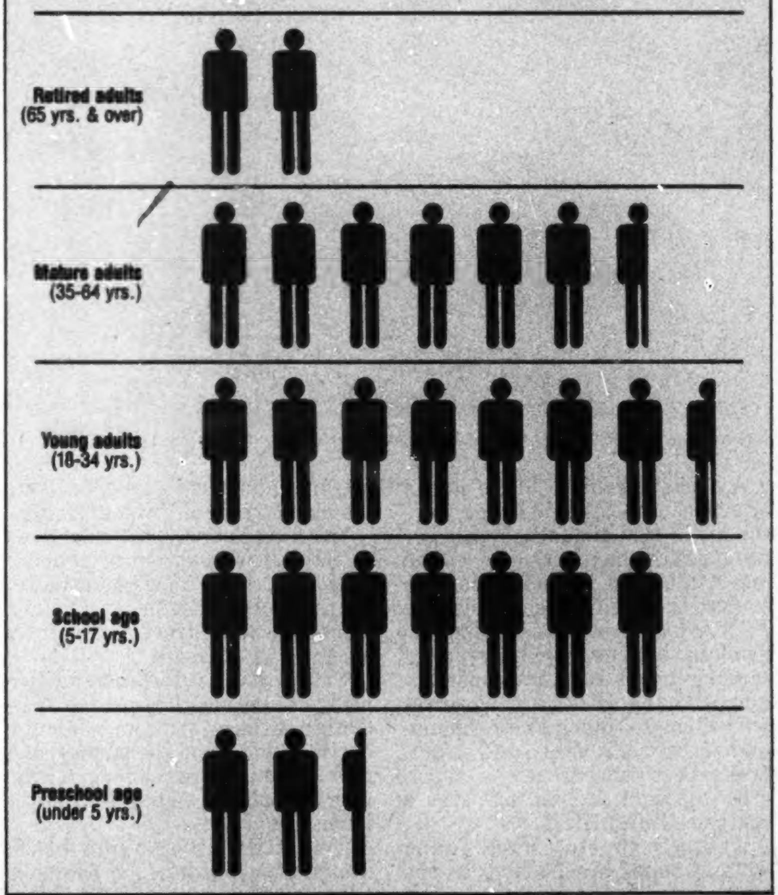
In contrast, Safeway has done an admittedly poor job accommodating black shoppers in Los Angeles. With the city's downtown area in the midst of a commercial building boom, a wave of new competition could weaken the nation's largest chain's hold there even further. ☐

Meeting the urban challenge

Jumping from an 800-sq.-ft. superette to a full-line 22,000-sq.-ft. supermarket is never an easy step, but it's even tougher when you're a black retailer trying to set up shop in the inner city. Just ask John V. and Edith "Peggy" Hicks. They've faced their full share of problems since joining the select fraternity of black supermarketers in October 1978 by opening a Shop n' Save in Pittsburgh's Phoenix Hills district.

Although only now approaching its weekly break-even of $125,000, the Phoenix Hills Shop n' Save has become a driving force in the revitalization of the urban neighborhood it serves. Not only does it fulfill a basic consumer need—there's no other super for two miles in any direction—but the store and its associated mini-mall are the focus of a building boom in this predominantly black (65%) section.

Today's U.S. black market
(Each symbol represents one million persons)



The median age for United States blacks is 24.6 vs. 30.9 for whites. In the 80's, a significantly higher proportion of blacks will be in the all-important 25- to 44-year-old age group.

Source: U.S. Dept. of Commerce

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Why blacks turn their backs on supers

Stop n' Save shoppers count on supply of specialty items, sharp price savings.

A Social Security office and a branch of the Carnegie Library are the mall's first tenants, and hopes run high for the addition of several more state and municipal service centers at the site. Meanwhile, the *Pittsburgh Courier* is building its headquarters nearby, housing for senior citizens is under construction, and the Hickses themselves are helping to launch a new community center right across the street. "We expect this part of the city to grow up right around us," says a confident Edith Hicks.

Another hopeful sign: Young white families are flocking to the area, lured by low-cost housing that's perfect for do-it-yourself rehabilitation. This influx of population is helping Phoenix Hills shed its old "ghetto" image and speeding the neighborhood's re-entry into the mainstream of Pittsburgh life.

"We feel there is a particular need to cater to this group of people," says John. Few know them better than this ex-policeman who patrolled the very streets that border his store for 20 years.

Frustrations: Redeeming this pledge of service has proven frustrating at times, the couple admits, but it hasn't kept the plucky pair from gradually developing a winning formula for selling food in the inner city.

"We still fill in from other sources," says Edith. For example, they buy greens from local growers in season and import them from Arizona during the rest of the year.

Finding qualified help is also a thorn in the business' side. "Unfortunately, many of our people here belong to multigeneration welfare families and aren't geared to working," says Edith. "We have to show them how to dress, deal with customers, report in when they're going to be absent and prepare for the day at the job." This education process has succeeded in some cases, but turnover continues high, even for the supermarket industry.

Skepticism: Just because the owners are black doesn't guarantee success with black shoppers. In fact, says Edith, "They demand more from us than other stores. There's a lot of skepticism toward black retailers."

Blacks hold onto Southern customs, particularly those related to food, music and dialect

High visibility in the store is one way to combat this, the Hickses have found, though some cynical shoppers are still not convinced that the couple isn't a front for white ownership.

As would be expected in a store doing 50% of its business in food stamps, the store's clientele is very price-conscious. It is not unusual for customers to call for prices over the phone or send a child with a written inquiry before actually showing up at the store to buy.

Cherry-picking of specials is rampant. "Sometimes we're forced to limit quantities," says John, "because people even come here from outside the area to get our specials." Thus, though the traffic count is a healthy 16,000 customers a week, the average transaction is still an anemic $6.05. Phoenix Hills Shop n' Save is countering with advertising drawing on community leader support and a program that lets residents of nearby housing projects ride a special bus to the store for only a dime on Mondays and Tuesdays.

Can the Hickses return supermarketing to inner-city Pittsburgh? The jury is still out, but if determination and commitment mean anything, put your money on these pioneering black retailers. ☐

—Arnie Katz

New cases put the squeeze on energy use

Reengineering and installation costs for new cases have given some managers second thoughts about retrofits.

Refrigeration companies have been on a crash program of squeezing out as much juice from their systems as possible. Each component of the system is being re-examined, remodeled or outright rejected based on energy-efficiency considerations.

The most visible aspect of this has been cases. Ten years ago glass-door cases accounted for less than 10% of low temperature display cases, according to the Commercial Refrigeration Manufacturers Association (CRMA). Last year, glass doors, including retrofits, probably accounted for more than 40% of the market, according to industry estimates.

Single-decks are making a strong comeback, after suffering from an "old-fashioned" reputation during the mid-70's. "We see a push toward single-decks," says Roy Koenig of Tyler Refrigeration. "In southern California, big chains are starting to use as many single-decks as possible, and one run of multideck."

Open multidecks, which use the most energy, are bearing the brunt of energy economy moves. Sales of multidecks slid for the sixth consecutive year, according to CRMA, and now represent just under 20% of the market.

There remains though, a group of

Market share by case type
(1979 sales)

	Share	% change from '78
Single decks	51.4%	+3.1
Glass door uprights	29.3%	−1.8
Open multidecks	19.3%	−4.8

Source: Commercial Refrigeration Manufacturers Association

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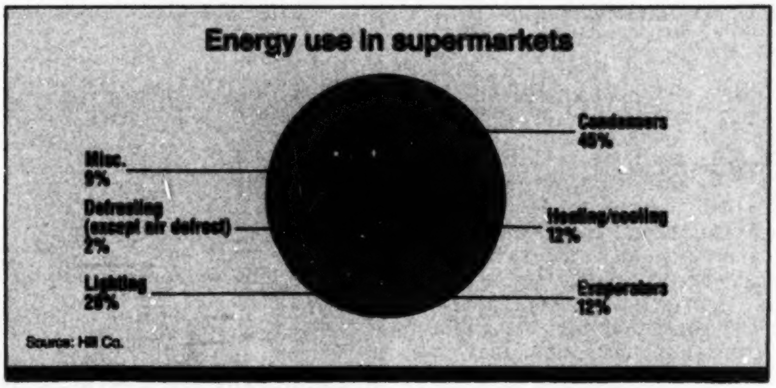

Source: Hill Co.

open-multi enthusiasts, such as Kohl's in Milwaukee and H. E. Butt in Texas, who see the merchandising power of open multidecks as well worth the expense of running them.

Explains David Freedman of Giant Foods, Washington, D.C., "It all starts with merchandising. You can't save anything if you don't sell anything." That message, especially as it relates to glass doors, did not fall on deaf ears, and case designers sought ways to make the cases more merchandisable.

Coincidentally, one of the answers was found in the retrofit concept. "When we first saw retrofit installations in California we felt there were some merchandising advantages built in by accident," says C. V. Hill of Hill Refrigeration.

Because of the original case configuration, shelves were 10 in. from the retrofitted doors themselves, and lights were in a horizontal position. The original factory-made glass reach-ins had shelves almost flush against the glass and vertical lighting panels, making it difficult for customers to reach around.

This year Hill, Tyler, Hussman and Warren Shearer have all redesigned cases for a more open look, and made it easier for consumers to reach for impulse items, just like the retrofits. Cases are also available with a bottom bin for larger items, similar to the multis.

Some merchandisers are still debating whether to shift from open multis to glass reach-ins. Others are wondering whether to retrofit multidecks or buy new glass reach-ins.

The issue is not an easy one because it involves logistical, engineering, merchandising and geographic problems, each relating to payback. On the plus side is price: retrofits generally cost a supermarket about $250 for each linear foot retrofitted, vs. about three times that for a new glass door reach-in.

But, if utility rates are not more than three cents a kilowatt/hour, if the cases are connected to a heat reclaim system, require resizing of refrigerant lines or do not have more than a five-year usefulness expectancy, retrofits may not be the answer.

Total value: These types of questions have forced changes in the way manufacturers sell their equipment. "The guy who buys our equipment looks now at a total value," says Peter Houton of Warren Shearer Inc. "He doesn't stop at the initial costs, but evaluates what the operating costs will mean over the life of the equipment.

"By the same token," he continues, "we make a value judgment. We can afford to spend more money to make it operate at a lower cost."

Indeed, they did. Current refrigeration machinery is almost twice as efficient as it was 10 years ago.

Take fan motors, for instance. A regular fan motor only operates at about 18% efficiency. (The rest of the energy is lost.) But by using a split capacitator fan motor—one that blows in either direction—engine efficiency is increased to 40% or 50%. The split capacitator costs three times as much, but it is still cost-efficient.

Electronic controls mean a more efficient future for refrigeration units

Manufacturers are also spending more money on the little things: more insulation and more aluminum (a more efficient conductor than stainless steel).

Electronic controls: But the biggest revolution in refrigeration engineering has been the switch to electronic controls from electromechanical controls. "An electronic control regulates the system by the use of the temperature-sensing device," says Jim Neely, an applications engineer at Hussman Refrigeration. "We've pretty much gotten away from pressure controls that allow pressure drop and cause the machinery to operate at lower suction at the expense of power."

Essentially, electronic controls are "smarter" than evaporator pressure controls because they can sense what is happening in the system while it is happening and make adjustments to within half of one degree of required temperatures.

Pressure controllers allow the system to operate at lower efficiencies because they are set to react after the fact, making the system operate in a see-saw fashion.

The compressor units that the sensors control are also changing. Parallel compressors, long the standard of the industry, are being augmented by variable speed groupings that provide the right amount of power for the right needs.

"You take a 30,000-sq.-ft. supermarket, and there might be several thousand groupings of condensing units that could do the job," says Hill. "But it is the most efficient grouping that is important."

Hill and other companies have turned to computers, which can plot exact configurations of compressor condensor units to run the cases, a technology not available in the past. These configurations give the system the ability to use only the power that is needed. With older systems, an increased demand in one case could trip the whole system, wasting valuable energy.

Refrigeration engineers believe they are at the beginning of electronic systems development.

The extent of the changes will largely be dictated by energy economics and the changing needs of the supermarket industry. "One thing we should all keep in mind," says Hill, "is that we're not trying to show just how smart we are. If it doesn't benefit the retailer there's no reason to do it." □

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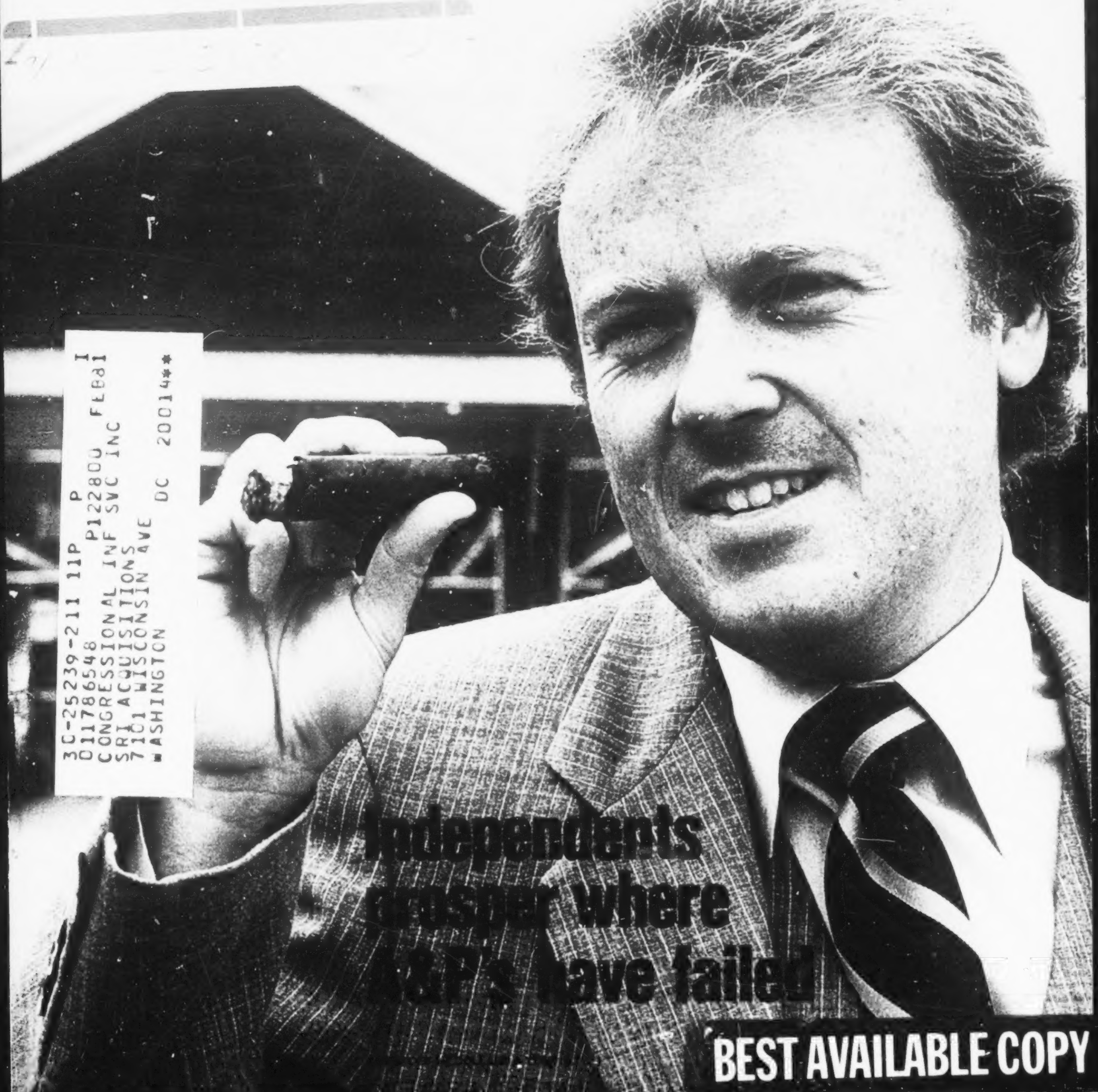
GMDC: the second decade
Rating the nation's top wholesalers

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
September 1980



Independents prosper where A&P's have failed

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SRI ACQUISITIONS
7101 WISCONSIN AVE
WASHINGTON DC 20014**

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Chain Store Age Supermarkets

September 1980

DAANE'S FOOD MARKET
DAIRY PRODUCTS

A&P closed 1,400 stores over the past five years. The stores didn't just walk away; some now have new legs to stand on . . . page 21.

Special Report

Launched 10 years ago by nonfoods wholesalers who wanted their special demands heard by the supermarket industry, GMDC today leads the list of progressive trade associations. Its front-running position, however, doesn't make it immune to current economic strains. Scanning, inventory control are among the top concerns 39

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Trading stamps: shedding their stigma as supermarkets show renewed interest 18

Independents: finding gold in A&P units that failed 21

Wholesalers: big companies grab larger market share . 24

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Correction

The incidence of purchase charts appearing in the July edition should have shown the percentage change in the first quarter of 1980 calculated against movement for calendar 1979, not the first quarter of 1979.

books, and the Knopps are looking for a new front-end system to handle the increased traffic.

The merchandising is also unusual. As part of the Charley Bros. Co. voluntary, Knopp is on a strict diet of discounting, with frequent coupon binges. "A&P tried to push their private label too hard," adds Knopp. "We don't do a tremendous job pushing private label. We offer all the national brands, too, and it seems to give us a better variety."

This is the same Charley Bros. vice president Jim Scott brought with him from the Shop Rite (N.J.) cooperative. It has made the Shop 'n Save group, which now runs 25 former A&P locations, the most successful voluntary in any major market, Scott says. It is making Walter Knopp a happy man.

Mid-Atlantic: Doing better than A&P? "Oh, yeah," says Jim Fitzgerald, a little surprised at the question. "I couldn't live on what they made."

Neither could A&P. So the company closed its 18,000-sq.-ft. unit in West Simsbury, Conn., and the Fitzgerald Brothers, Jim and Jack, moved in.

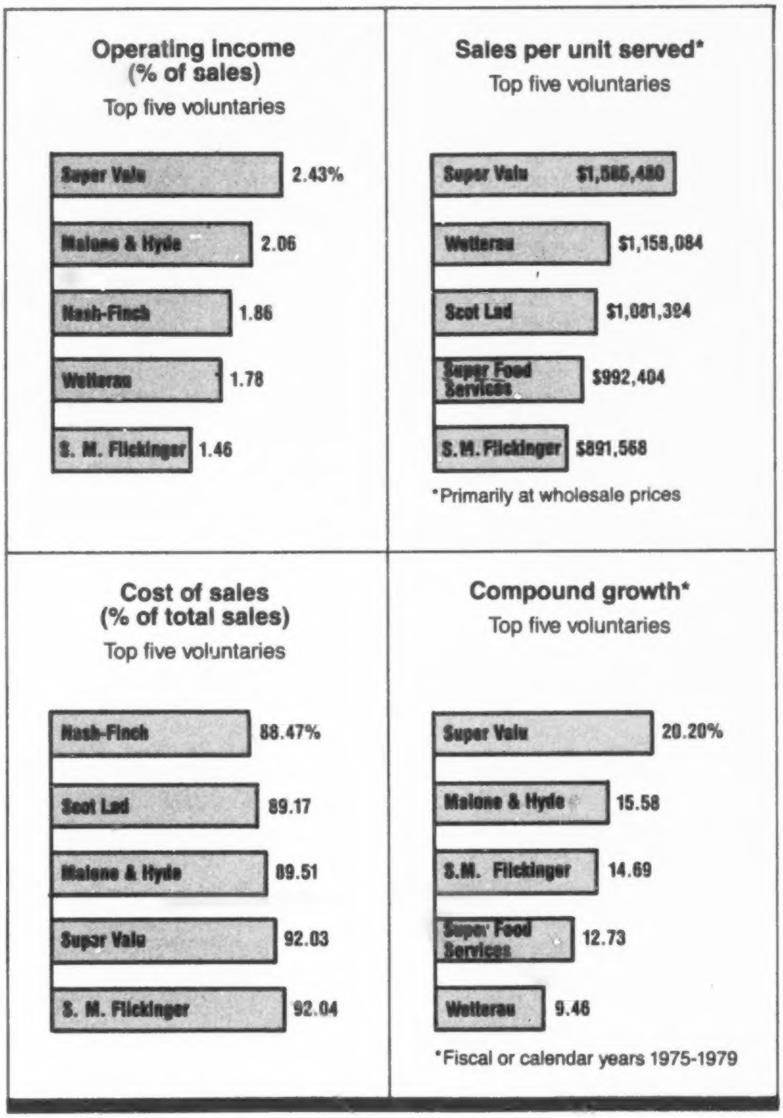
The brothers have been supermarket managers since 1946, starting with a small store in Hartford. The A&P location is their largest, but they took pains to make sure every detail was what they wanted. "We had to revamp the whole lineup. A&P's frozens were in the middle, and we wanted them in the last aisle," says Fitzgerald. "We had to add dairy cases and frozen food coolers, fix another meat preparation room."

Quality and courtesy are the store's strong points, but Fitzgerald has been around long enough to know that it won't make up for higher prices. "Two or three years ago this area wasn't that price-sensitive," he says, "but now it sure is."

For Fitzgerald, the only way to succeed in a market of price-cutting is to stay on top of things. "There isn't too much different you can do," he says. "Everything changes, and we change with it. But I do the supervising and make the decisions myself."

With a track record 35 years long, he apparently has not been wrong too often. ☐

Big wholesalers gra



Operating income (% of sales)
Top five voluntaries

Sales per unit served*
Top five voluntaries

*Primarily at wholesale prices

Cost of sales (% of total sales)
Top five voluntaries

Compound growth*
Top five voluntaries

*Fiscal or calendar years 1975-1979

Source: *CSA* Research, Company Annual Reports, S.E.C. Form 10K

The age of the small voluntary wholesaler may well be drawing to a close. *Chain Store Age Supermarkets'* review of this important food business segment reveals that there are now 25% fewer wholesalers than there were just four years ago. If the present trend continues—and there's little reason to think it won't—the nation's independent grocers soon may be served by no more than 25 or 30 such mammoth operations.

The reason for the rapid compaction of the food distribution business is obvious: the major, multimarket-area voluntary wholesalers are buying up local and regional distributors at a furious pace. It has become a rare event for a fiscal year to pass without Super Valu, Fleming and other acquisition-minded giants adding at least one smaller company to their holdings. During fiscal 1979, Miliken, Tomlinson Company, Blue Ridge Grocery and Parkview Markets were among the smaller firms that were absorbed

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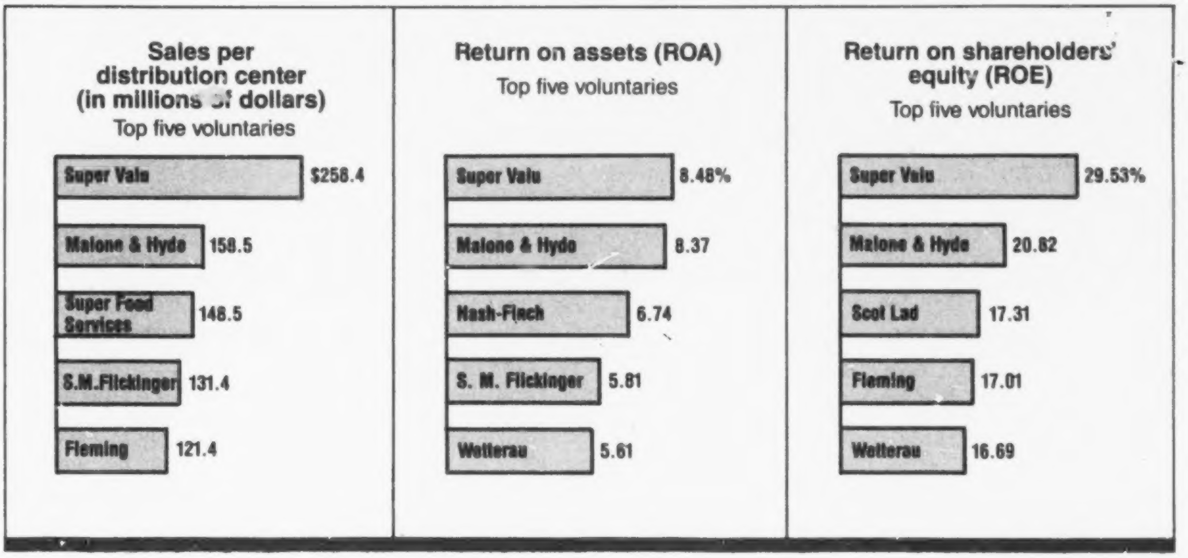
larger market share



Sales per distribution center (in millions of dollars)
Top five voluntaries

Return on assets (ROA)
Top five voluntaries

Return on shareholders' equity (ROE)
Top five voluntaries

by larger ones, following in the footsteps of such notable formerly independent wholesalers as G. H. Delp, P.A. & S. Small and Charley Brothers.

The changing role of the wholesaler in the food industry has done much to spur mergers. No longer just a conduit for product between the manufacturer and the grocer, today's voluntary wholesaler is responsible for providing a broad range of services to its retailer customers. It is often the resources of the voluntary that make it possible for an independent to slug it out successfully with big chain competition.

The bigger the wholesaler, the more support it can furnish. This helps customers keep growing, and that growth, in turn, generates even more business for the voluntary. So that while bigger is not automatically better, it frequently turns out to be when it comes to food wholesaling. ☐

Super Valu tops voluntaries list

The knack of helping its retailer members take advantage of the opportunities created by big chain retrenchment aided Super Valu to another year of record sales and earnings in fiscal 1980. During the most recently completed 12-month reporting period, the Hopkins, Minn., wholesaler chalked up sales of $3.1 billion for its food operation, a 13.5% improvement over the previous year's $2.7 billion.

While big sales gains are pretty much par for the course in these days of double-digit inflation, few chain or independent retailers can match the company's fiscal 1980 profit performance. Operating earnings before taxes reached $75.4 million for Super Valu's food operations, a healthy 17% improvement over pretax earnings of $64.7 million recorded in fiscal 1979.

Overall, Super Valu notched sales of $3,475,193,000 in fiscal 1980, 14.6% higher than fiscal 1979 revenues of $3,003,008,000. Total operating earnings were $104,851,000, which translated into a net income of $45,343,000.

Super Valu has distinguished itself as more than just a conduit for retail groceries. While the company certainly does an effective job supplying 1,956 customers from its 12 major distribution centers, it also offers a wide range of programs designed to help independent supermarket operators boost their sales volume by effectively meeting super chain competitive thrusts.

The wholesaler/retailer is especially proud of its strong merchandising programs. A good example is the Consumer Dividend Days promotion Super Valu implemented last fall. For four weeks, Super Valu and most customers in its divisions drastically slashed prices on frozen foods, produce, beef and dry grocery products. The result: a 20% sales volume gain over the comparable period of the previous fiscal year.

A history-making business agreement negotiated between the wholesaler and the Great Atlantic & Pacific Tea Company has even greater long-term implications for both Super Valu and many of the independents it serves. Under terms of the pact, retailers under the Super Valu banner acquired nu-

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Wholesalers grab larger market share

merous shuttered A&P outlets.

By the end of the fiscal year in February, Super Valu clients in Pennsylvania, Ohio, Wisconsin and West Virginia had already reopened 45 former Tea Company stores, with at least four similar units scheduled to enter the Super Valu fold sometime in calendar 1980. The 45 now on-stream represent a considerable chunk of incremental business, approximately $82 million in wholesale volume last year—and this year's total could well exceed $100 million.

Why Super Valu holds the top spot

Criteria	Calibration	Rank
Compound Growth	20.20%	1
Sales per unit	$1,585,480	1
Sales per distribution center	$258,434,410	1
Operating income (sales)	2.43%	1
Cost of sales (sales)	92.03%	4
Return on assets (ROA)	8.48%	1
Return on equity (ROE)	29.53%	1

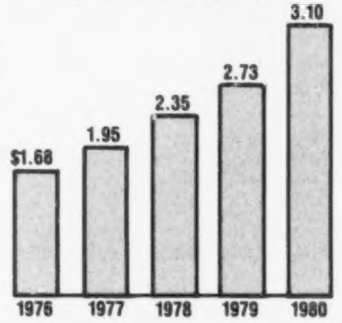
Source: *CSA Research*

Super Valu also expanded in a more traditional way, by acquiring another wholesaler. As the fiscal year drew to a close, Super Valu finalized its buy-out of Ryans Inc., a wholesale food business based in Billings, Mont. This westernmost arm of Super Valu supplies 189 supermarkets in Montana and Wyoming from its distribution facilities in Billings and Great Falls. Ryans logged sales of $128 million in its most recent fiscal year.

Super Valu's quest to increase productivity and efficiency in its distribution operation marked a milestone last year when the company cut the ribbon on a new 321,401-sq.-ft. facility in Fargo, N.D. Among the features this energy-and space-efficient warehouse boasts:

- Each section is individually temperature-controlled so that all products can be stored at appropriate temperatures.
- A heat reclamation system fitted to all refrigeration compressors is used to warm other areas of the building.
- High-pressure sodium lamps, which consume less energy than other forms of illumination, provide all lighting.
- An on-line computer generates instantaneous inventory data that dovetails with a new storage system designed by the company's own industrial engineers to improve movement of product into and out of the house.

Sales*
(in billions of dollars)



*Food store operations only; includes 97 corporately owned supers.

Source: *CSA Research*, Company Annual Reports, S.E.C. Form 10K

Escalating trucking costs figure to get top priority during the current fiscal year. Installation of fan clutches and radial tires on Super Valu trucks will help hold down fuel consumption. John E. Morrissey, senior vice president for distribution, reports that computer-determined routing and dispatching of trucks is also cutting down on mileage to save fuel.

Net earnings*
(in millions of dollars)

		% to sales
1976	$11.71	0.70
1977	15.35	0.79
1978	20.98	0.89
1979	26.81	0.98
1980	32.60	1.05

*Food store operations only; includes 97 corporately owned supers.

Source: *CSA Research*, Company Annual Reports, S.E.C. Form 10K

Although food is still Super Valu's primary business, diversification has occurred in recent years. Retail general merchandise operations, primarily ShopKo mass merchandise and County Seat casual apparel stores, accounted for 10.8% of total sales and 28.1% of pretax earnings last year. The nonfoods operations will get a healthy slice of Super Valu's $140 million capital expense budget during fiscal 1981, but food operations are slated for $89 million in expansion funding, 63% of the company's capital budget. ☐

Fleming: the big get bigger

Modernization of some major distribution facilities and rampant expansion by retailer customers paid off handsomely for Fleming Companies in fiscal 1979. Sales rose 13.4% to a record $2.5 billion, and earnings also established a new highwater mark of $16.4 million.

"Fleming's capital spending program has emphasized the expansion and upgrading of existing distribution centers and the construction of new facilities where needed to support the company's growth," explains a spokesman for the Oklahoma City, Okla.-based wholesaler. "Since the beginning of 1974, four completely new distribution centers have been constructed, and 10 enlargements and remodelings have taken place."

Fleming is currently placing special emphasis on the installation of mechanized order selection equipment. Fleming's new Oklahoma City distribution center operated so successfully with such a system during its first year that the company now plans to put similar equipment into its Houston facility, which is scheduled for a major remodel this year. Also under construction is a facility exclusively intended for the distribution of gen-

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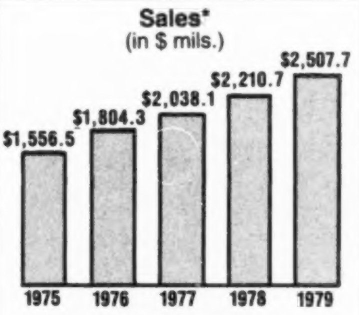
Wholesalers grab larger market share



Sales*
(in $ mils.)

*Includes 46-unit Dixieland Group

Source: *CSA Research*, Company Annual Reports, S.E.C. Form 10K

eral merchandise, located in Dallas, Tex.

As already mentioned, Fleming reaped tremendous gains as a result of unparalleled expansion by its affiliated retailers. Operators of the 2,576 units served by the company's 17 distribution centers opened a whopping 102 new supermarkets during fiscal 1979, equivalent to 2.1 million sq. ft. of retailing space. This represents the largest store-level expansion in Fleming history. In one division alone, Oaks, Pa., Fleming added 37 new supermarkets in fiscal 1979, most of which are members of the Thriftway voluntary group.

Although Fleming spun off its profitable trailer manufacturing business during the year, it was in no sense a retrenchment. Company officials stressed that the sale was intended to take Fleming out of areas outside its normal business of distribution. Meanwhile, Fleming increased its position in food distribution through acquisition of Blue Ridge Foods. According to a Fleming spokesman, performance of this new division is already excellent, with even better results expected in the current fiscal year. ☐

Earnings*
(in $mils.)

Year	Earnings	Net-to-sales
1975	$11.7	0.74
1976	12.7	0.70
1977	13.8	0.67
1978	14.6	0.65
1979	16.4	0.66

*Includes 46-unit Dixieland Group

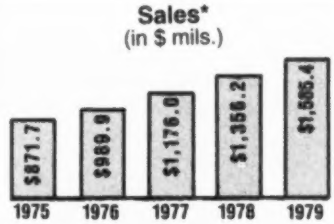
Source: *CSA Research*, Company Annual Reports, S.E.C. Form 10K

Malone & Hyde: new facilities spur profits

Why is Malone & Hyde consistently among the leaders in the food business in financial performance? While there are many elements that go into making a successful wholesaler, there's no denying that the Memphis, Tenn., company's continuous modernization program has contributed greatly by giving it an all-important edge in productivity. This advantage was an important factor in propelling Malone & Hyde to its 18th consecutive year of record sales and earnings.

Eliminating the effect of its profitable Quality Stamp division, Malone & Hyde chalked up sales of $1.59 billion in its most recent complete fiscal year, nearly 17% better than fiscal 1978's total of $1.36 billion. Thanks in large measure to the wholesaler's corps of productivity-minded managers, net earnings did even better. Income, again exclusive of Quality Stamps, rose 19.8% to $19.01 million. (These figures include revenues and profits generated by 48 corporately owned supermarkets and 148 company-owned or franchised drug stores.)

Including all facets of its operation, Malone & Hyde achieved sales of $1.62 billion in fiscal 1979, a 16.8% increase over the previous 12-month period. Net profits also climbed, soaring 19.1% to $21.27 million from 1978's $17.86 million.



Sales*
(in $ mils.)

*Quality Stamps revenues not included. Total includes 48 corporately owned supermarkets, plus 148 corporately owned and franchised drug stores.

Source: *CSA Research*, Company Annual Reports, S.E.C. Form 10K

Earnings*
(in $mils.)

Year	Earnings	Net-to-sales
1975	$12.75	1.46
1976	11.94	1.21
1977	12.99	1.10
1978	15.86	1.17
1979	19.01	1.20

*Profits from Quality Stamp division not included. Total includes 48 corporately owned supers and 148 corporately owned or franchised drug stores.

Source: *CSA Research*, Company Annual Reports, S.E.C. Form 10K

The Tennessee wholesaler's physical plant is so up-to-date—over 70% of Malone & Hyde's warehouse space is less than five years old—that its facilities required no major capital improvements in 1979. The fact that the company maintains the third-lowest cost of sales among voluntaries despite serving more different customers (2,500) than any other wholesaler except Fleming testifies to the efficiency of its distribution system.

During the year, Malone & Hyde made the first of several moves to sharpen its operation in Florida by acquiring Grand Union's 75,000-sq.-ft. perishables warehouse. Besides becoming the dairy, produce and meat supplier for 69 GU's, Malone & Hyde was thus able to expand lines offered to its other customers. The company is currently expanding the perishables warehouse by 55,000 sq. ft. and building a mammoth grocery warehouse on an adjacent tract. The resulting 500,000-sq.-ft. distribution center will be on-stream this fall, signaling a major competitive move into the Sunshine State during the next fiscal year. ☐

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Wholesalers grab larger market share

Wetterau: 50 years of sales growth

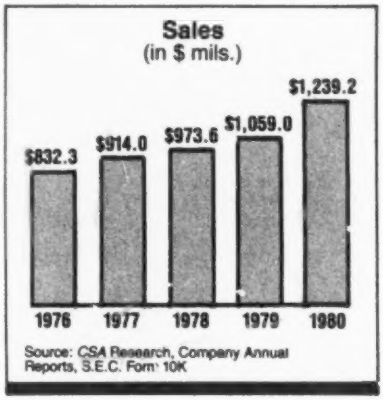
Sometimes even good performance isn't quite good enough. Although Wetterau logged higher sales for an incredible 50th year in a row—and scored record earnings for the 42nd year out of the last 43—top-level executives of the Hazelwood, Mo., wholesaler candidly admit that they had hoped for better results in fiscal 1980. "Operating management was not satisfied with the earnings performance for the year," states a spokesman.

By most measures, however, Wetterau did well last year. Net sales increased 17.0% to $1.24 billion, compared to a total volume of $1.06 billion in fiscal 1979. Profits failed to keep pace, yet still rose 10.1% to $13.83 million.

Besides the usual litany of problems affecting all wholesalers—high inflation, increased energy and labor costs and softened demand for some products—Wetterau's performance suffered as a result of some specific problems. The most important of these were:

- A strike at the Hazelwood bakery, which closed the Hazelwood Food Services division to in-bound traffic, reducing first-quarter sales.
- A two-week strike at the Reading (Pa.) division, which took a little of the steam out of an otherwise outstanding year.
- The decision to close a number of marginal stores served by the Midwest divisions, which had a short-run depressive effect on volume, though the long-term result is expected to be a reduction in receivables and an improved earnings.

There were plenty of bright spots, too. Chief among them was the Reading division, known as the G. H. Delp Co. until Wetterau bought it in 1976. ☐



Source: *CSA* Research, Company Annual Reports, S.E.C. Form 10K

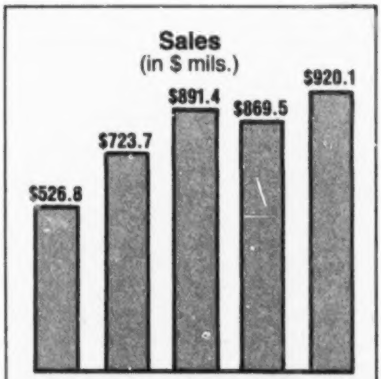
Earnings
(in $mils.)

Year	Earnings	Net-to-sales
1976	$ 9.9	1.18
1977	11.3	1.24
1978	10.3	1.05
1979	12.6	1.19
1980	13.8	1.12

Source: *CSA* Research, Company Annual Reports, S.E.C. Form 10K

Flickinger profits soar as sales rebound

Top management of S. M. Flickinger Co., buoyed by an upturn in volume in fiscal 1979 after experiencing a year of reduced sales, has set a lofty goal for fiscal 1980. They are predicting the first billion-dollar year in the company's 78-year history.



Source: *CSA* Research, Company Annual Reports, S.E.C. Form 10K

Flickinger's sales inched ahead just 5.8% during the most recent 12-month reporting period, growing from fiscal 1978's $869.5 million to a record $920.1 million. The profit picture was considerably more encouraging. Net earnings reached $6.5 million, a 13.3% improvement over the previous year's $5.7 million.

As with most of the other leading wholesalers, Flickinger has capitalized on opportunities arising from geographic retrenchment by big supermarket chains. The company's biggest move during fiscal 1979 was the purchase of 32 supers from the Acme Markets division of American Stores.

The Buffalo, N.Y., wholesaler also transferred 18 supermarkets formerly operated by the Great Atlantic & Pacific Tea Company in Ohio to independent ownership.

Flickinger got some bad news during the first quarter of the new fiscal year, when Niagara Frontier Services, Buffalo, announced it would build its own warehouse. Relations between the two concerns reportedly remain cordial, with Flickinger set to keep supplying dry groceries and frozen foods until the facility is completed in October 1981. Meanwhile, company executives state that acquisitions by Flickinger will more than offset the potential loss of business. ☐

—Arnie Katz

Earnings
(in $mils.)

Year	Earnings	Net-to-sales
1975	$3.7	0.71
1976	4.5	0.63
1977	5.6	0.63
1978	5.7	0.66
1979	6.5	0.70

Source: *CSA* Research, Company Annual Reports, S.E.C. Form 10K

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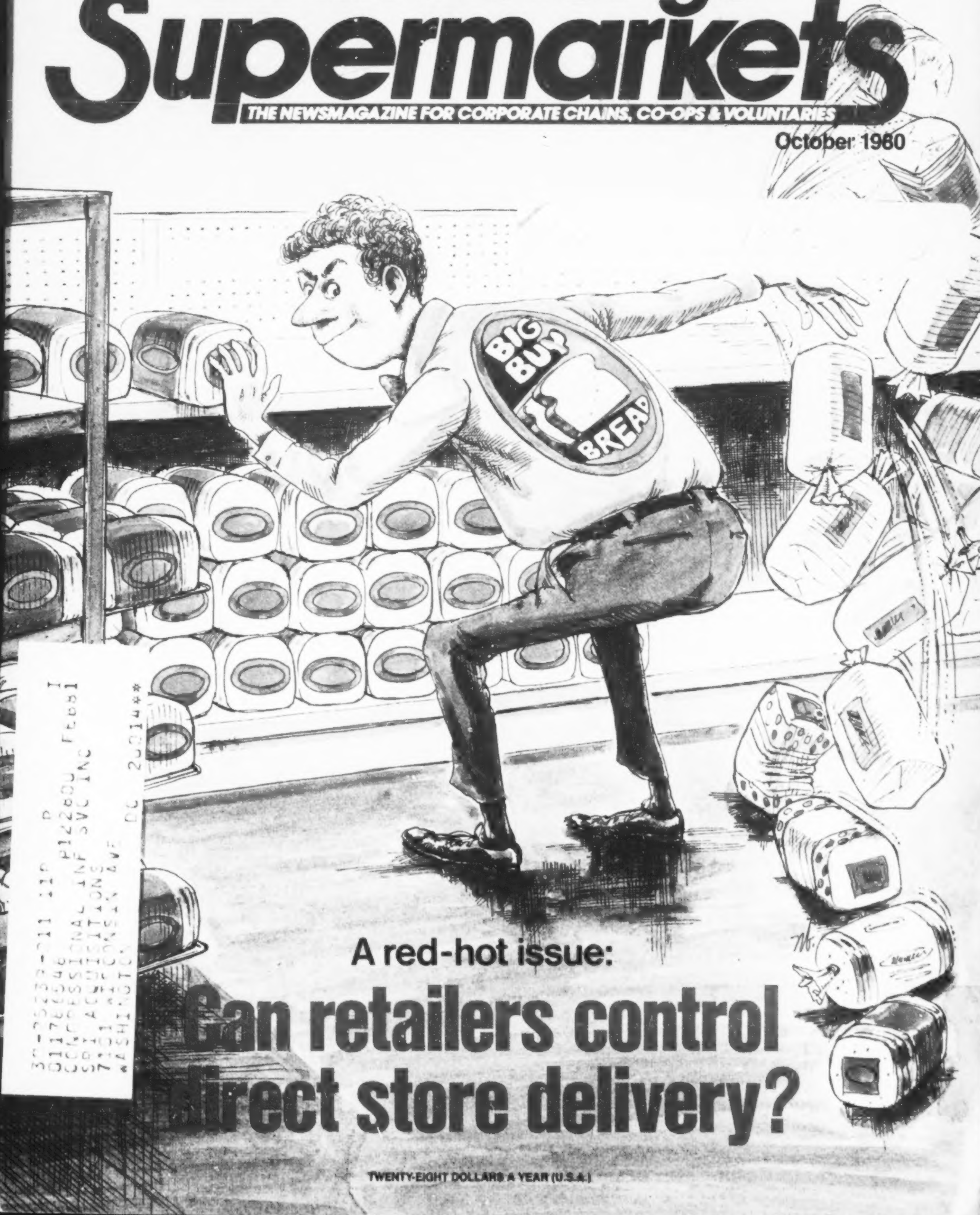
Supermarket employees find paradise at Nob Hill

1980 Nielsen Review: Will shoppers accept the "retort"?

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

October 1980



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A red-hot issue:

Can retailers control direct store delivery?

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age Supermarkets

October 1980

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1980 Nielsen Review

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EXPRESS CHECKOUT

A&P inks union pacts

Great Atlantic & Pacific Co. officials are aglow over the new labor pact signed with the Amalgamated Meat Cutters/Retail clerks unions in the Metro New York Area.

The three year contract, which A&P president James Wood says "will give us the flexibility needed to reduce current high labor costs," covers clerks and butchers in the Long Island, Bronx, and New Jersey divisions.

A&P wrung two major concessions from the unions: the right to schedule clerks on a split shift, and the right to let go employees hired before Aug. 7, 1971.

Under the old contract, that group of higher-paid employees, if displaced by store closings, had to be reassigned to other stores. The new contract allows them to be let go upon payment of $300 for each consecutive year of service.

Over its life, the contract provides increases of about $100 per week for meat cutters and $75 per week for clerks.

Union officials were closed-lipped about the agreement, although the membership was not. Said one veteran meat cutter, "I think they got off cheap."

Ralphs rings up scan specials

Every time a supermarket chain moves to end individual item pricing in one of its scanner-equipped stores, the inevitable howl is: How will shoppers benefit from the cost-savings?

Ralphs newest promotion is helping to answer that question. The West Coast retailer is now offering 40-50 in-store "scan specials" every week, yielding savings to shoppers of up to 10¢ an item.

Heavy use of shelf signage is the key to the promo. Ralphs is using no less than three POP pieces: a bright red "Scanner Saver Special" plastic shelf talker; another "Scanner Saver Special" placard detailing the specifics of the program and a small sign indicating the regular price, the sale price and the amount saved.

F.D.A. hedges on caffeine

The Food and Drug Administration last month removed caffeine from the GRAS list—generally regarded as safe—following a study of pregnant rats that showed caffeine caused birth defects.

An F.D.A. spokesman added, however, that "So far our review of people shows no definite or conclusive effect on human beings."

In a parallel decision, the F.D.A. announced that soft drink manufacturers would no longer be required to use caffeine in products labeled "colas" or "peppers." Because cola nuts contain caffeine, the soda makers had been required by law to ensure that any product labeled "cola" contained caffeine.

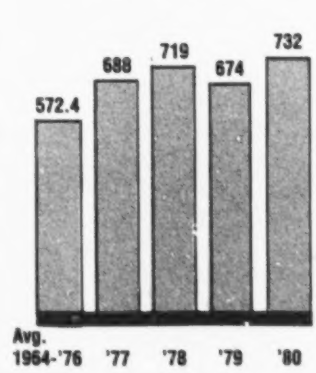
In the study, pregnant rats were fed the caffeine equivalent of 12-24 cups of coffee per day. The F.D.A. said the study indicates that caffeine caused missing toes or parts of toes in some fetuses.

Items debut at record pace

"Damn the recession—full speed ahead!" is apparently the motto of grocery manufacturers this year. Despite the continuing economic troubles, 8.6% more new products reached supermarkets during the January-July 1980 period than in the comparable portion of the previous year.

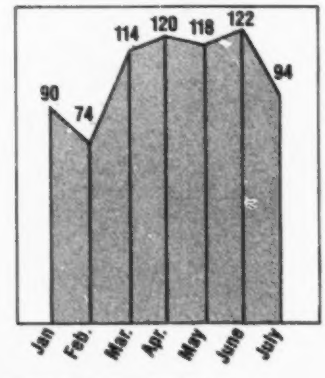
Over the first seven months of 1980, *DFS New Product News* reports that manufacturers rolled out 732 new items, compared to 674 in 1979. Activity was particularly brisk during the spring, with more than 360 products premiering.

Year-to-year trend is up
(January to July)

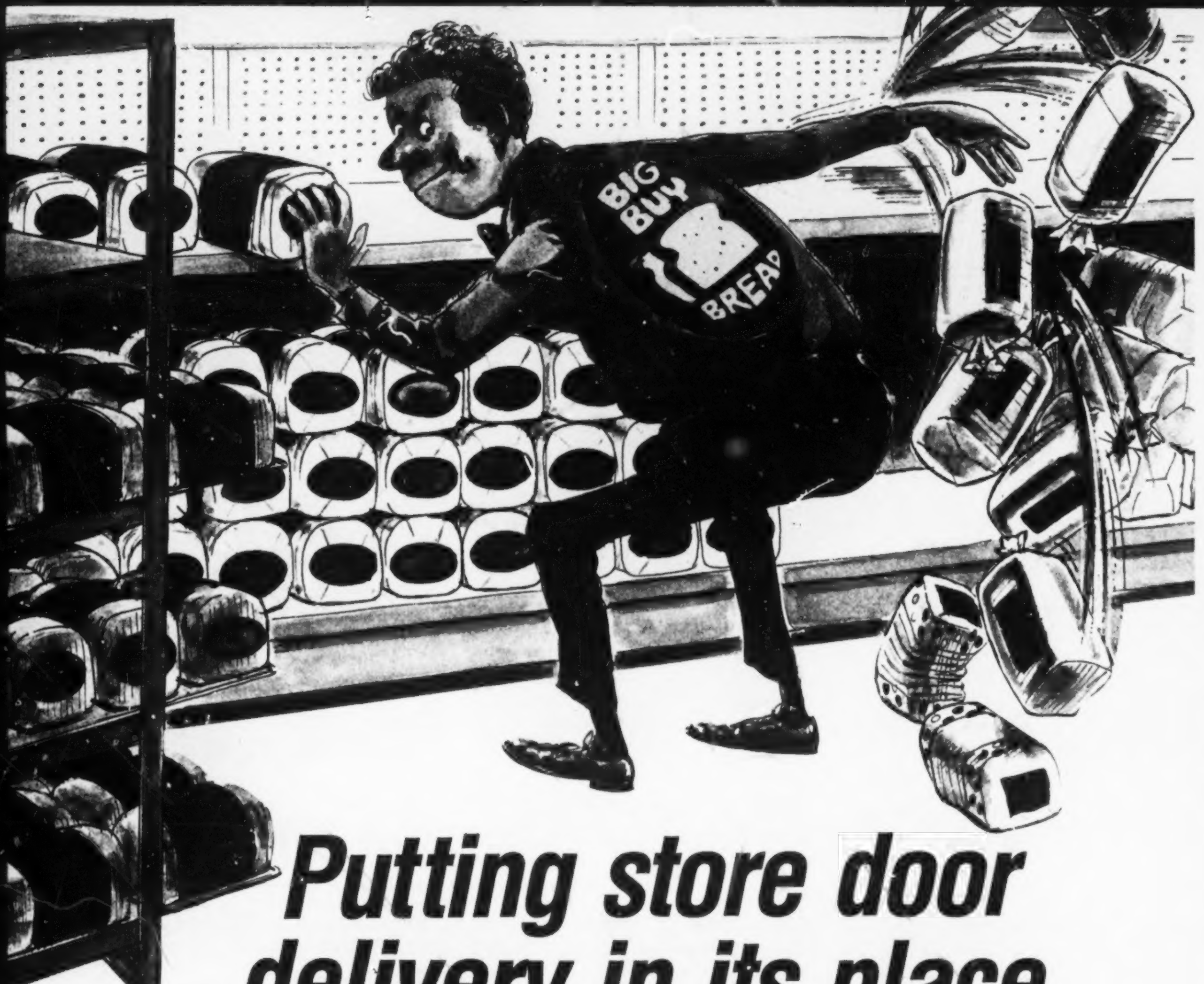


Source: *DFS New Product News*

New items flower in spring
(1980)



Source: *DFS New Product News*



Putting store door delivery in its place

Supermarketers can't live without direct store delivery, but more and more of them aren't entirely sure they can live with it, either. Long considered the best way to distribute fast-turning perishables to individual stores, DSD is now getting close scrutiny from chain managements. Although industry inertia has kept dissatisfaction mostly at the talking stage, there is obvious, widespread interest in fine-tuning store door to maximize the profitability of affected departments.

It is impossible to overestimate the current importance of direct store delivery. The typical supermarket receives 27%-30% of all the goods it sells via this method. Actually, the figure can run as high as 33% in superstores that feature expanded assortments of fast-turning DSD lines. Supers located in cities also tend to make greater-than-average use of direct store delivery, because their consumer purchase patterns are frequently skewed toward items like milk, bread, soft drinks, snacks and other DSD categories.

Store door-dominated departments are above-average contributors to overall store profitability. Products delivered by DSD account for as much as 37% of total store gross profit.

Superstores cope with over 15 deliveries a day

Deliveries per week	% Stores	Total weekly sales (avg.)
100+	48	$120,000+
80-100	28	100,000+
60-80	12	90,000+
40-60	12	60,000+

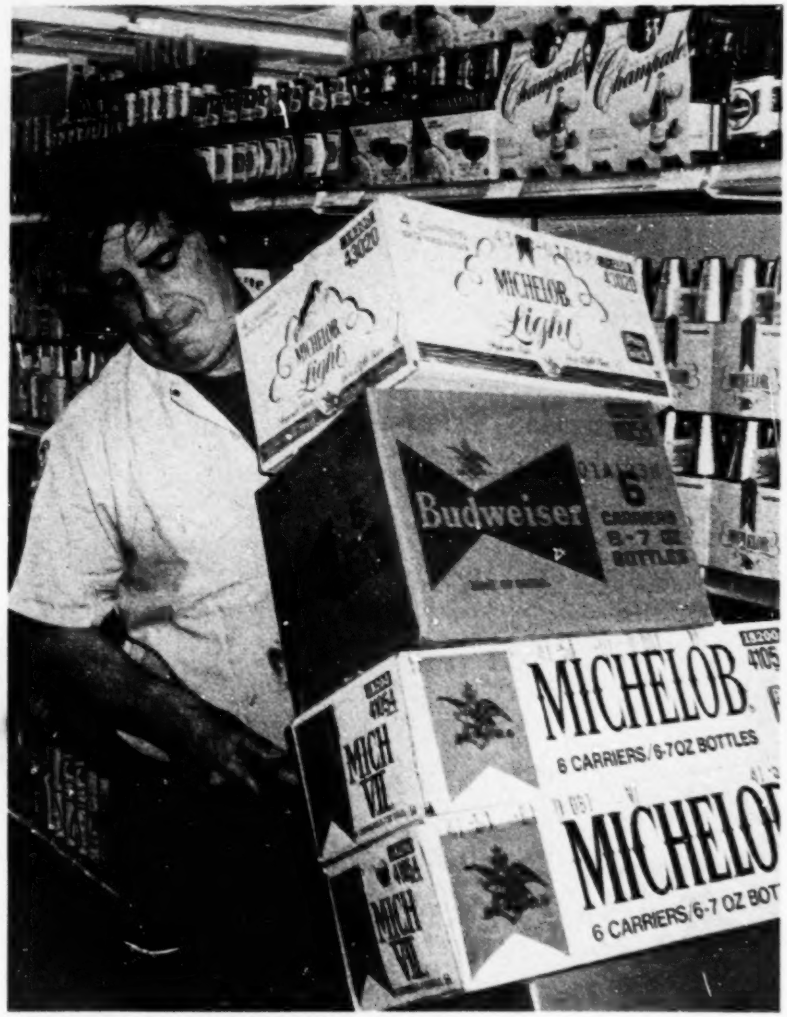
Source: CSA Research

A canvas of 30 retailing institutions by Paul F. Shaffer Co. of Miami, Fla., pegs the average DSD shipment at 8.3 cases of product worth $144. One of the principal reasons for the development of DSD in the first place was the need for frequent—even daily—resupply of some fast-turning items. It is not surprising that the same survey indicates that 48% of all supermarkets get 100 or more deliveries a week.

The management consulting firm also studied the traffic pattern of DSD vendors in a typical store and turned up some significant data about how the system functions. During the prime 7:30 a.m.-10:00 a.m. delivery period there was an average of nine vendors in the store during each 10-minute measure-

(Continued on p. 36)

Putting store door delivery in its place



DSD gives stores the service they need on fast-turning items such as beer.

How labor savings stock up by category

	Delivery[a] labor	Vehicle cost	Billing[b] cost	Total cost
Bakery	$92.63	$17.00	$2.00	$111.63
Milk	74.82	21.00	2.00	97.82
Soft drinks	55.06	26.36	2.00	83.42
Boer	23.97	27.00	2.00	52.97
Weighted average	65.20	22.20	2.00	89.39

[a] Soft drinks ($8.55/hr.), milk ($10.25/hr.), bakery ($10.95/hr.), beer ($8.50/hr.).

[b] Exclusive of store receiver and invoice checking costs.

Source: Paul F. Shaffer Co., *CSA Research*

ment period. The super observed had 175 deliveries during the week, exclusive of front-door rack vendors for departments like greeting cards, candles, hosiery, film/photo and magazines. Each vendor spent an average of 43 minutes inside the supermarket per trip.

Team confusion: The fact that it costs the unit in question 13 man-hours to process the week's DSD invoices is symptomatic of the confusion that frequently reigns in this area of store operations. "Sometimes, it's like a baseball team without a manager," says Paul Shaffer, president of the consulting firm that bears his name. "The dairy buyer is on first, the bakery buyer is on second and the soft drink and beer buyer is on third—and they all run on their own."

Recognizing the need to bring a little order out of this confusion, retailers have increasingly turned toward centralizing responsibility for receipt of DSD shipments at the store level. Today, 86% of the nation's supermarkets have an assigned receiving clerk.

On the other hand, 70% of supers still do not have a reliable method for monitoring sales of DSD products. Application of modern computer technology, primarily scanning, to the problem should drastically reduce the number of supermarketers operating by the seat of their pants over the next few years.

Beverages top DSD list

Item	% DSD	% Through warehouse
Soft drinks and wine	84	16
Bakery, cookies, crackers	82	18
Chips	82	18
Milk	80	20
Ice Cream	77	23
Other dairy	55	45
Box-type dairy meat	27	73
Weighted average (all items)	70	30

Source: Paul F. Shaffer Co., FMI, *CSA Research*

Assigned receiving clerks and scanning may help tone down the chaos, but most retailers agree that direct store delivery vendors are a prime source of shrink. Obviously, all DSD people aren't dishonest, but there's no denying that the loose structure of the store door system opens the gates to a nearly endless variety of wrongdoing. Some common vendor ploys:

- Squeezing extra shelf space for display of their products at the expense of competing brands and without the store manager's knowledge.
- Underpricing, which slices the grocer's profit margin.
- Destruction of returnable goods. Who knows what finds its way into the store's compacter?
- Collusion between vendor and clerk, usually involving mis-billing.
- Sneaking returnables out of the store, like flattening loaves of bread

The other side of direct store delivery

Supermarket managers compare store door to warehouse delivery

	% Much better	% Slightly better	% About the same	% Slightly worse	% Much worse	% No ans.
Profitability	29	25	19	12	9	6
Frequency of delivery	41	15	25	8	4	7
Freshness	47	16	30	1	0	6
Out-of-stock	27	16	34	11	3	9
Department maintenance	28	16	39	8	3	6

Source: Lebhar-Friedman Research

Direct store delivery thrives because, despite the failings and shortcomings of the system, it provides retailers with important assistance at store level.

Approximately 53% of the supermarket store managers polled by Lebhar-Friedman Research believe that shelf maintenance, including stocking and rotating of product, is the most valuable function performed by DSD vendors. Other benefits cited frequently include:

- Fresher perishables. DSD allows prompt shipment that makes the most of the short shelf life of such items as bread and milk.
- Labor control. The cost of the vendors work is known in advance, while store workers are more prone to fall-offs in productivity.
- On-time, everyday delivery. Some products must be restocked every day, which is not possible for most operations shipping from a central warehouse.

From the stand point of headquarters management, direct store delivery also relieves the chain of the responsibility of warehousing numerous high-tonnage sku's. For example, many superstores are now carrying up to 150 different cigarette brands. DSD eliminates the need to add storage space at the distribution center for so many additional fast-turning items.

This recognition of the benefits of DSD goes far to explain why the supermarket world has been reluctant to embrace an alternative approach such as the consolidated distribution center. Many feel that streamlining and tightening DSD procedures is the best course.

Observers contend that the advent of scanning will soon provide retailers with the product movement data on DSD they need in order to more productively administer the store door system. Since 70% of operations do not now have a method of capturing this all-important data, electronic technology may fill the information gap and improve efficiency of direct store delivery.

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in the bottom of an empty tray.

- Outright theft, like steaks exiting the store in a salesman's briefcase.

One suggestion for curing DSD's ills is the consolidated distribution center. All participating vendors would assemble their products at the center. Then workers would pull orders for each individual store and prepare a single invoice for the whole shipment.

Advantages include increased productivity all along the distribution chain, reduced fuel costs for delivery vehicles, elimination of multiple invoices and the need for a special receiving clerk, greater control of the operation at the store level.

Consolidated distribution center reduces per case cost by 23%

	Present DSD system	Projected CDC costs
	(Dollars per 100 cases)	
Warehousing	$ 5.50[a]	$28.80
Product transfer to CDC	34.96	5.10
Delivery	34.96	15.00
Stocking (store labor)	52.44	25.00
Billing	2.00	1.00
Store: **Receiver**	9.40	2.40
Invoices	6.20	1.60
Presell salesman[b]	—	6.30
Total cost per 100 cases	110.50	85.20

[a] Selection and loading of trucks is only cost included.

[b] A salesman who visits the store prior day to take orders, build special displays, etc.

Source: Paul F. Shaffer Co., *CSA Research*

An analysis of costs indicates that the consolidated distribution center could be a real money-saver. The present DSD system has an average cost of $110.50 per hundred cases. A CDC set-up, anchored by a 100,000-sq.-ft. warehouse—enough to serve all stores in a large metropolitan area like Miami or San Francisco—would trim the cost of delivering 100 cases to $85.20.

Naturally, there are obstacles. Apart from a generalized resistance to change, barriers include the difficulty of setting up such a centralized system, the question of who would control the center, the present efficiency of a select few vendors such as the soft drink bottlers and the lack of organization among the small-store retailers who might benefit the most from such a CDC system.

Given these factors, it is likely that store door delivery will remain an integral part of the supermarket scene for many years to come. ☐

—Arnie Katz

1980
NIELSEN REVIEW
of retail grocery store trends

To our friends in the retail grocery industry:

The current Grocery Review, the 45th in succession, is again being offered as a service to the grocery industry and a means of giving a special thanks to the retail organizations from whom we are receiving cooperation every month of the year.

In our current issue, we have provided the expected summary of retail grocery sales by outlet type, an update of food-away-from-home trends and some of the economic factors most pertinent to the grocery industry. This issue also covers new product introductions and the progress of health and beauty aids in grocery outlets. Our special chapter this year is a discussion and analysis of retort pouch products and the reaction by Canadian consumers to these items.

We also wish to thank *Chain Store Age* for their cooperation in assembling this report.

A. C. Nielsen Jr.

A. C. Nielsen, Jr.
Chairman of the Board
A. C. Nielsen Company

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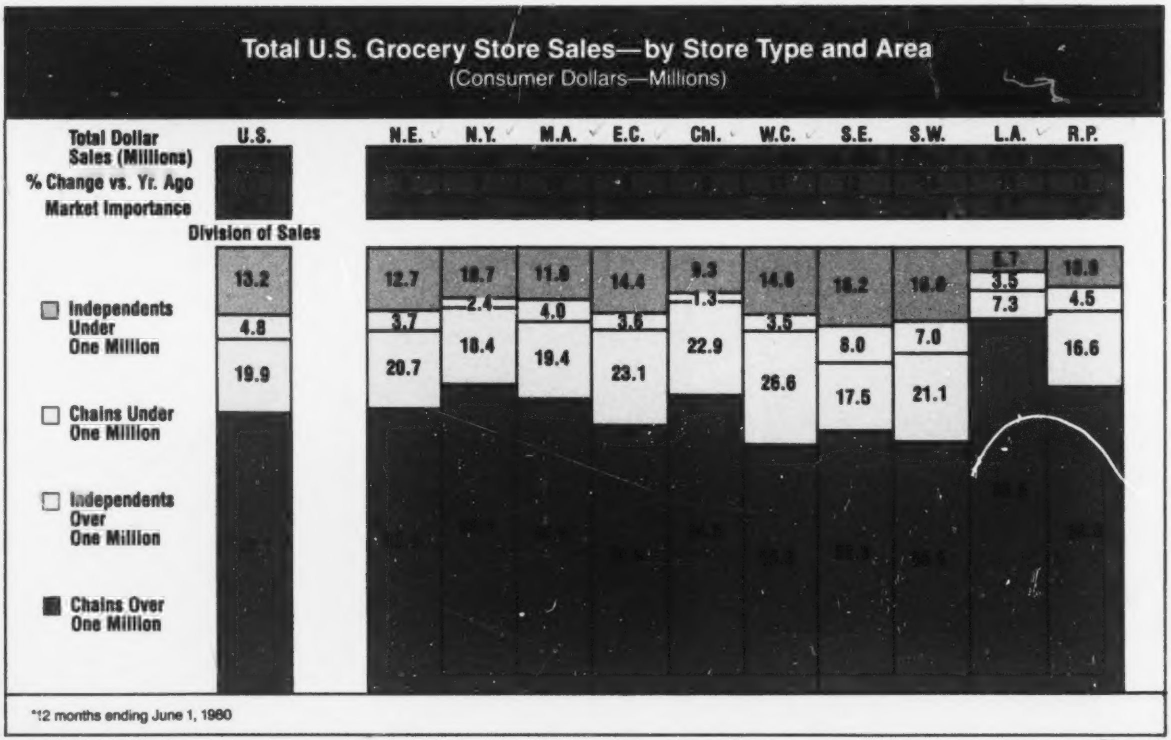
chapter 1

retail grocery sales

U.S. grocery sales climbed to just over 191 billion dollars for the 12 months ending June 1, 1980*—an 11% increase versus a year ago (Chart 1). There was virtually no change in the share held by chains (over one million) nationally from the previous two years (62% in 1978 and 61.9% in 1977), with independents over one million in second place at 19.9%.

When viewed by territory the share held by the large chain stores varied from a low of 55.3% in the West Central to a high of 83.5% in Los Angeles. The chains under one million (primarily convenience-type



*12 months ending June 1, 1980

Chart 1

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*The year ending June 1, 1980 marked the first date on which we had accumulated 12 months of sales using the new classifications. Grocery chains are now split between those with an annual volume of a million dollars or over versus under a million. Independents are separated by the same two classifications.

Sales Trends of 75 Packaged Grocery Commodities

(Total U.S.)

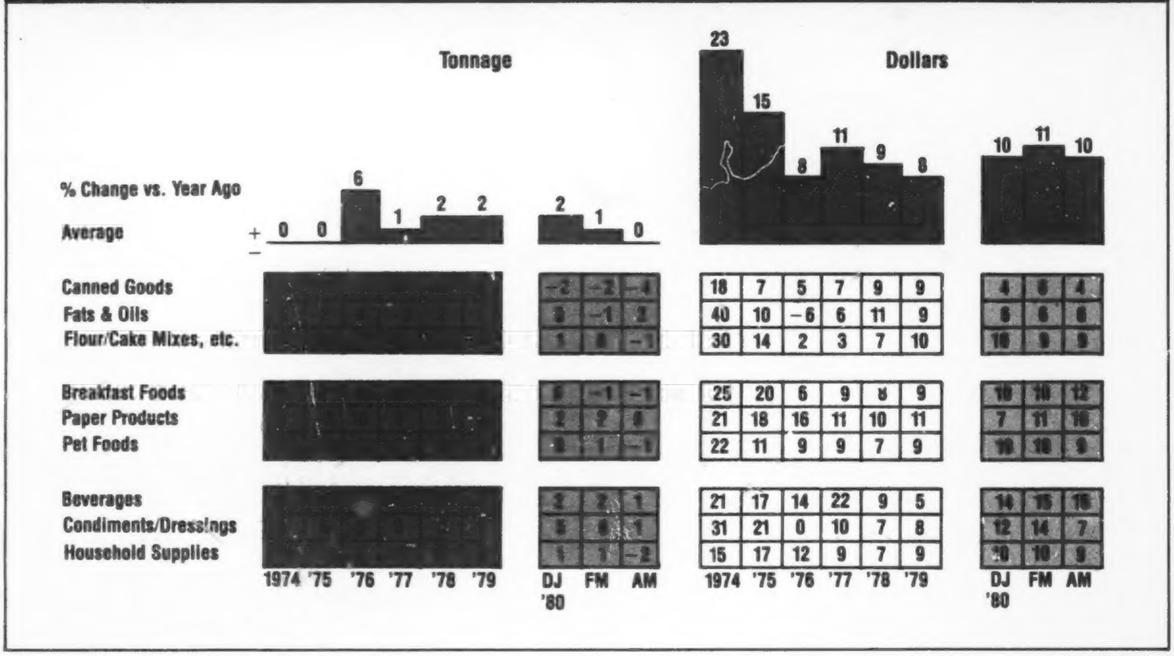
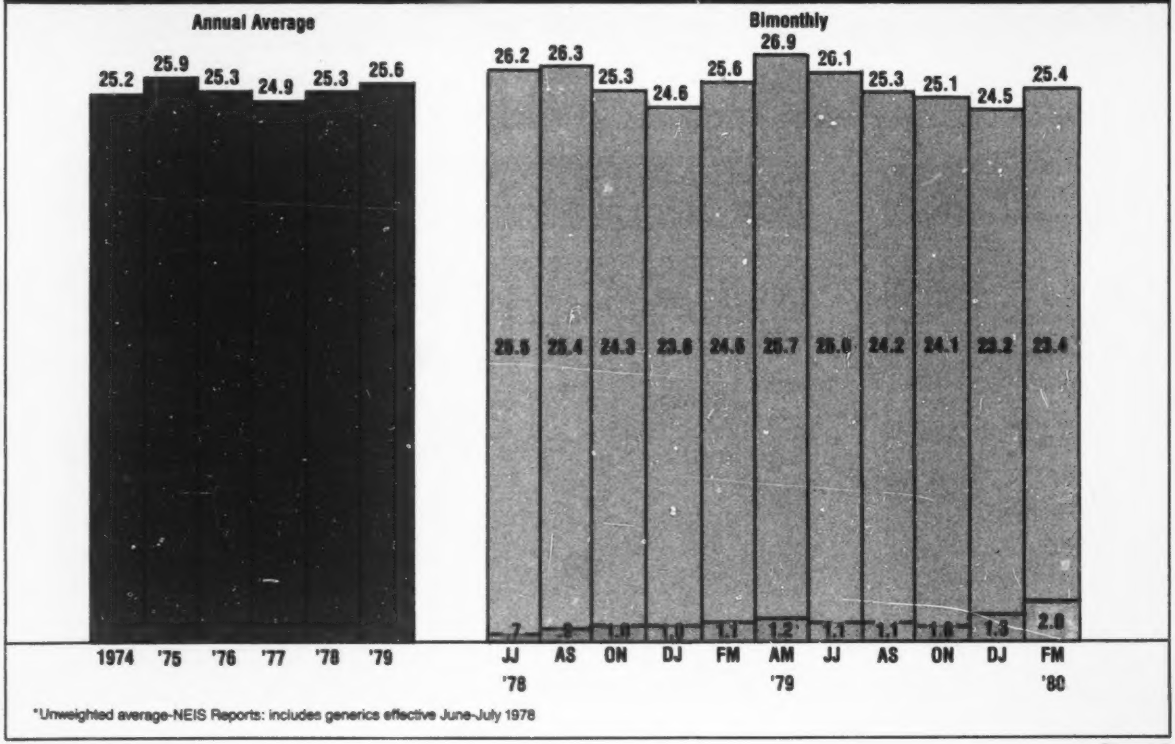


Chart 2

Composite Share* for Controlled Label Brands

(Based upon 35 Categories—Unit Basis)



*Unweighted average-NEIS Reports: includes generics effective June-July 1978

Chart 3

chains) were least important in Chicago but held shares almost twice as large as the national average in the Southeast, Southwest and Los Angeles.

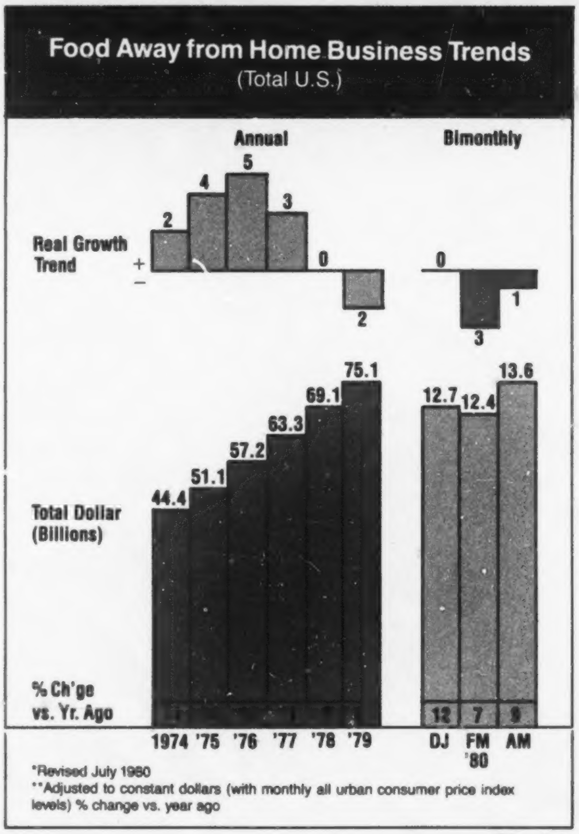
Chart 2 offers a more reliable measure of the increase in actual product movement for packaged groceries by comparing dollar versus tonnage movement for 75 packaged grocery product groups. For yet another year, the increase in tonnage sales in 1979 (+2%) fell substantially below the dollar gain of +8%. In fact, it is necessary to look back to 1976 to find them reasonably close when only two points separated the gain in tonnage sales versus the gain in dollars (+6% for tonnage versus +8% for dollar sales). Very few of the nine general product classifications exhibited much in the way of strength during 1979, but paper products and beverages each registered tonnage gains of +3%.

Although the composite share for controlled label brands for 1979 was fractionally above 1978 (Chart 3), neither inflation nor recession appeared to have much effect on these averages. Since June-July of 1978, we have included generics under the general heading of controlled label brands. They are shown separately in the bimonthly section and had reached a new high of 2.0% during the February-March period.

Food Away From Home

Although the real growth trend for packaged groceries in 1979 (based on the 75 commodity groups) was only of modest proportions, it was substantially better than that for food away from home (Chart 4). The zero posted for 1978, the −2% for 1979 and the weak trend thus far in 1980 appear to be indicative of the consumer's desire to either reduce or at least conserve on food expenditures.

When viewed by segment or type, weakness in the refreshment (or fast food) type of restaurants has been evident ever since 1978, but there was a pick-up in sales registered in the early months of 1980 (Chart 5). The restaurant and cafeteria segment posted its first decline in 1979 of −1% and continued this weakness into 1980. This segment did pick up another share point in 1979, however, and now accounts for 57% of all food-away-from-home sales.

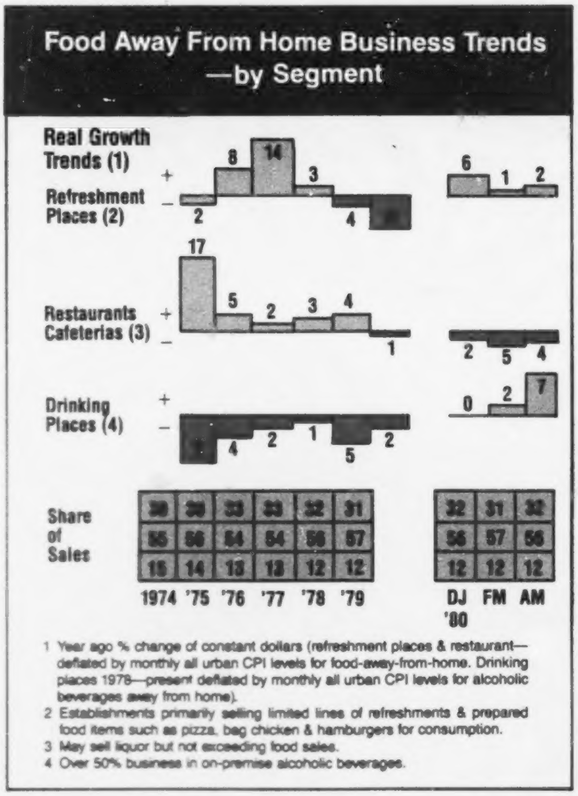

Food Away from Home Business Trends

(Total U.S.)

*Revised July 1980

**Adjusted to constant dollars (with monthly all urban consumer price index levels) % change vs. year ago

Chart 4


Food Away From Home Business Trends —by Segment

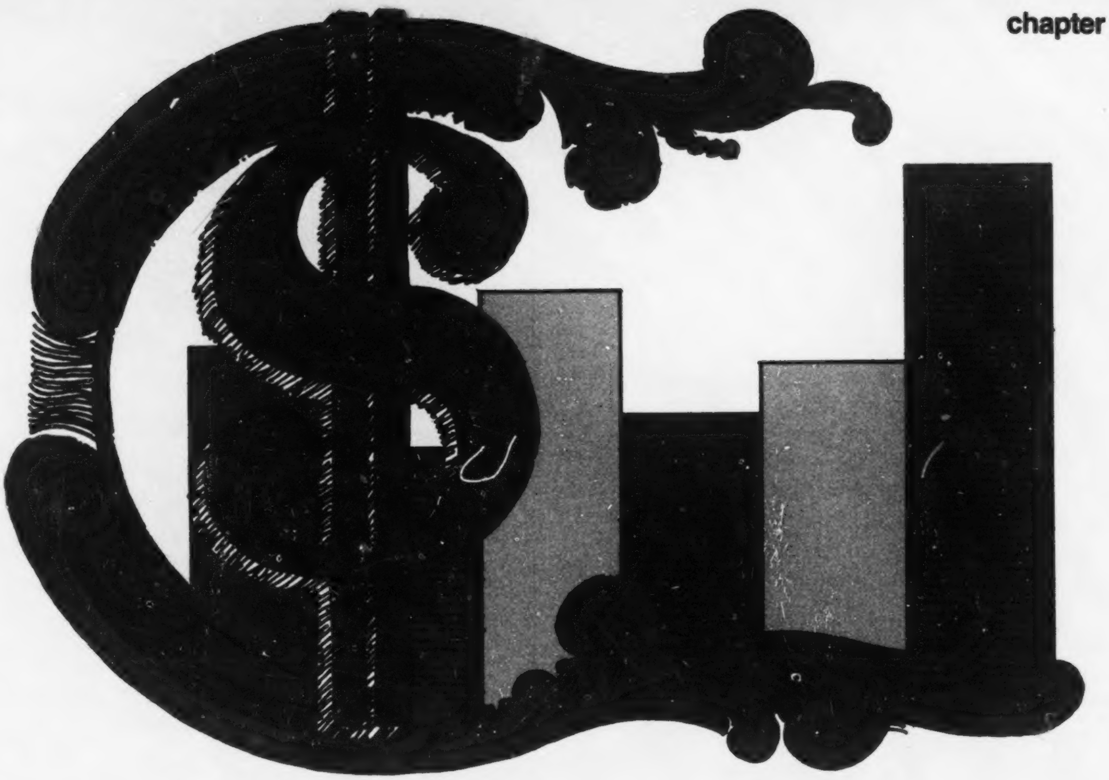
1 Year ago % change of constant dollars (refreshment places & restaurant—deflated by monthly all urban CPI levels for food-away-from-home. Drinking places 1978—present deflated by monthly all urban CPI levels for alcoholic beverages away from home).

2 Establishments primarily selling limited lines of refreshments & prepared food items such as pizza, bag chicken & hamburgers for consumption.

3 May sell liquor but not exceeding food sales.

4 Over 50% business in on-premise alcoholic beverages.

Chart 5



economic factors

The Consumer Price Index

In June of 1979, food away from home was the undisputed leader, which helped explain the weakness in that sector of food sales (Chart 6). By June 1980 it still led the list, along with housing at 267—two points higher than medical care. This represented a 41-point increase for the housing industry. Transportation also climbed significantly—up 37 points over the year. Apparel and upkeep along with prescriptions were still the best buys based on the C.P.I. Index.

Income Spent in Grocery Stores

Although there's no question that grocery has trended upward since June of 1979, the share of income spent by consumers for grocery products during the year was fractionally below the share spent in 1978 (Chart 7). When examined by area, the lowest share of income spent for groceries during the past year was in the two metro areas—New York and Chicago, 9.0% and 8.6% respectively. It was also in these two areas that per capita grocery sales were the lowest—just $752 per person, $80 less than the national average.

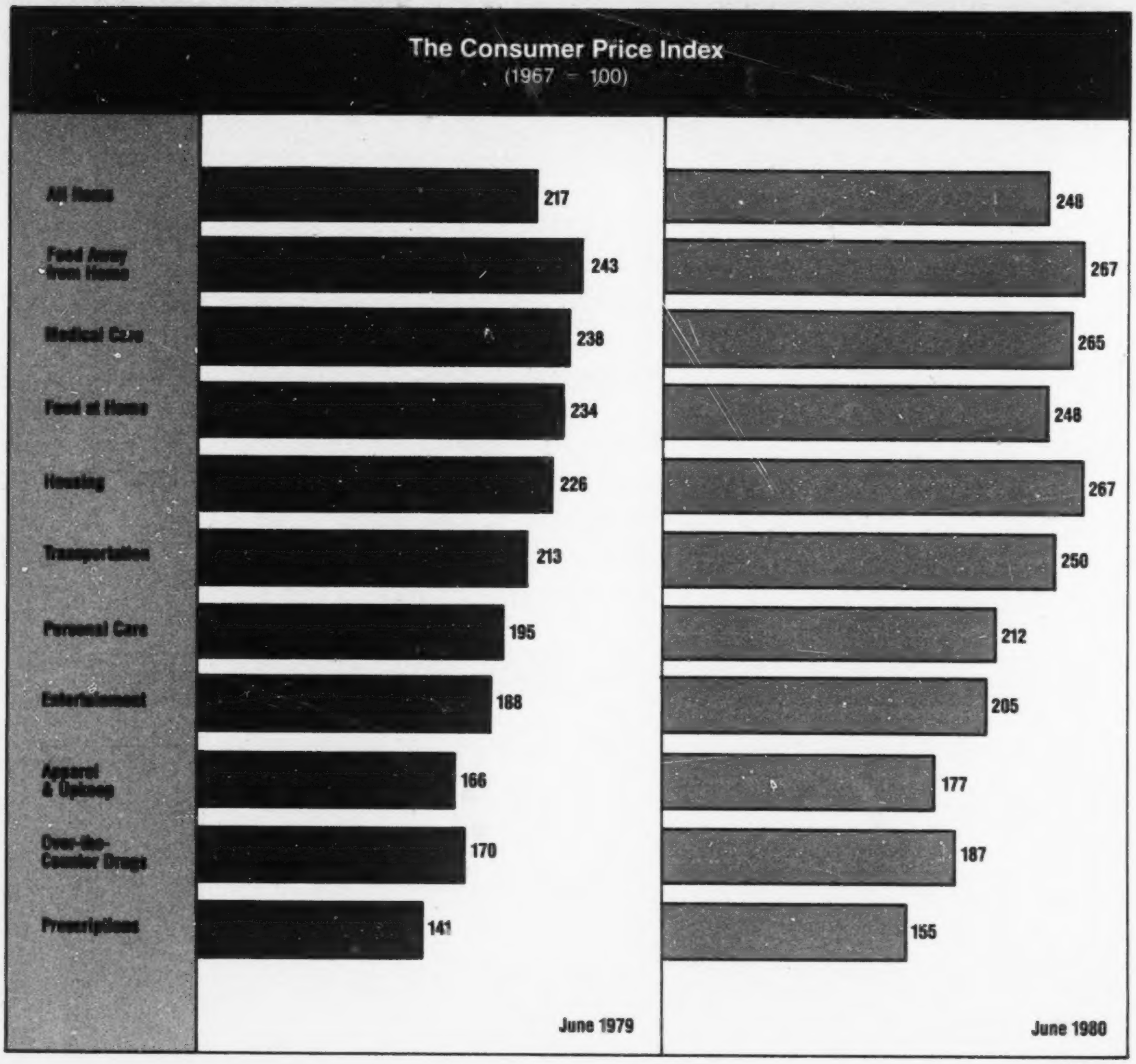


Chart 6

Per Capita Effective Buying Income and Retail Grocery Sales

	Per Capita Grocery Store Sales		Share of Income Spent in Grocery Stores	
	[illegible]	1979	[illegible]	1979
U.S.	[illegible]	$832	[illegible]	11.4%
New England	[illegible]	823	[illegible]	11.1
New York	[illegible]	752	[illegible]	9.0
Middle Atlantic	[illegible]	846	[illegible]	11.4
East Central	[illegible]	809	[illegible]	11.2
Chicago	[illegible]	752	[illegible]	8.6
West Central	[illegible]	782	[illegible]	10.8
Southeast	[illegible]	851	[illegible]	13.5
Southwest	[illegible]	876	[illegible]	12.7
Los Angeles	[illegible]	883	[illegible]	10.4
Remaining Pacific	[illegible]	[illegible]	[illegible]	[illegible]

Chart 7

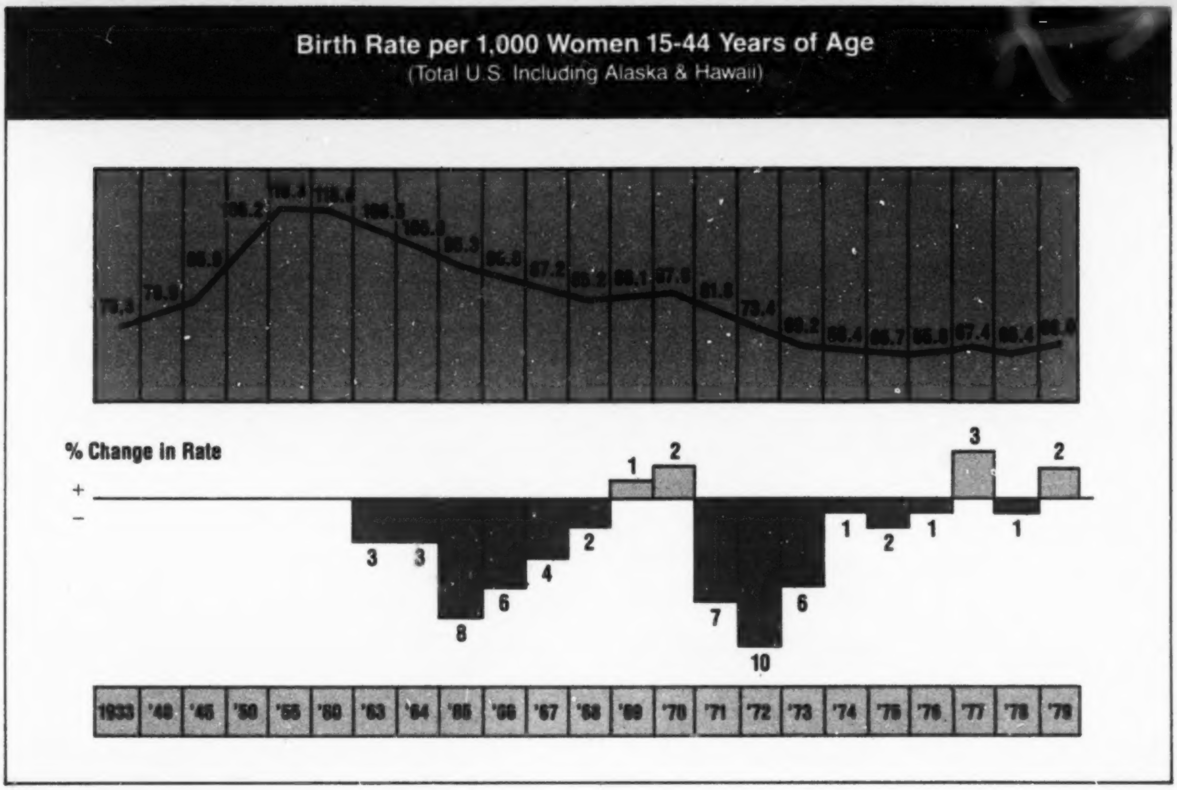
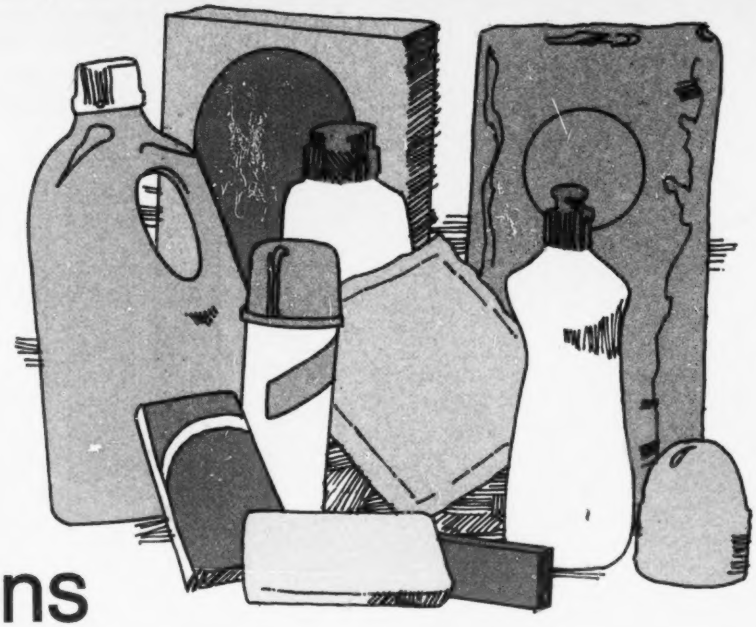


Chart 8

Birth Rate

Although it's far too early to state that there has been a reversal in the long-declining birth rate, there was a 3% increase in births in 1977 and a 2% gain in 1979 (Chart 8). Another straw in the wind was the +8% gain (versus a year ago) in the number of births in both February and March of 1979. In fact, the number of infants under one year of age recently reached the highest level since November of 1977—up 4% in February and 5% in March.

chapter 3



new item introductions

A New Trend?

We noted in last year's Review that if our estimate of new item introductions during the last six months of 1979 proved to be reasonably accurate, the three-year decline might be over. As it turned out, our estimate was low (by some 269 items), and total introductions topped 1978 by well over 200 items (Chart 9). If new introductions in 1980 approximate the current estimate, the total should approach the level of 1977 and add another step to the upward trend.

Classification of New Items

All classifications and trend data are based on NEIS Alert Reports, which monitor products newly confirmed in U.S. supermarkets, nationwide, on a continuous basis.

New Brands	The first time a brand name is used by its manufacturer. Example: Day I and Day II Shampoo—Colgate-Palmolive.
Established Brands in New Fields	Diversification by manufacturer with brand name carryover. Example: Vaseline Intensive Care Hand Lotion—Vaseline, an established brand in petroleum jelly, new to the hand care field.
Brand Extension Same Field	A brand name extension into a new segment of the same general category. Example: Puss'n Boots, an established brand in canned cat food, entering the moist cat food segment.
Brand Proliferation	Generally, line extensions. Example: A new flavor of cake mix, a new size of floor wax, a new spray type of liquid starch, a new color of paper towel.

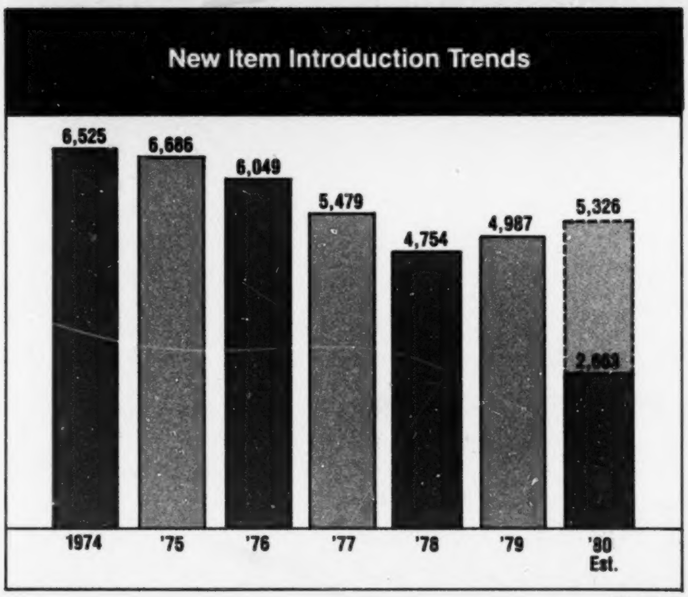


Chart 9

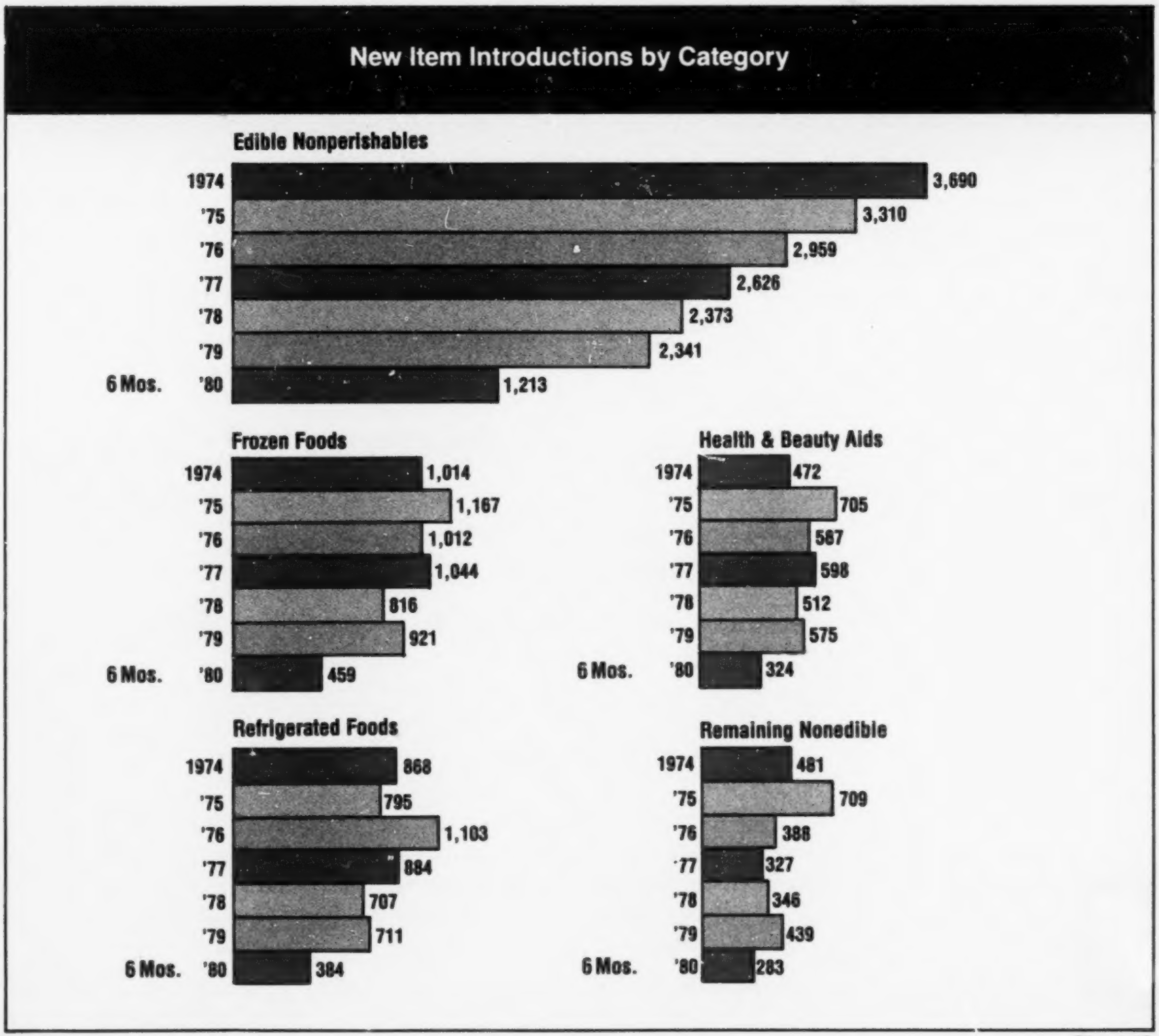


Chart 10

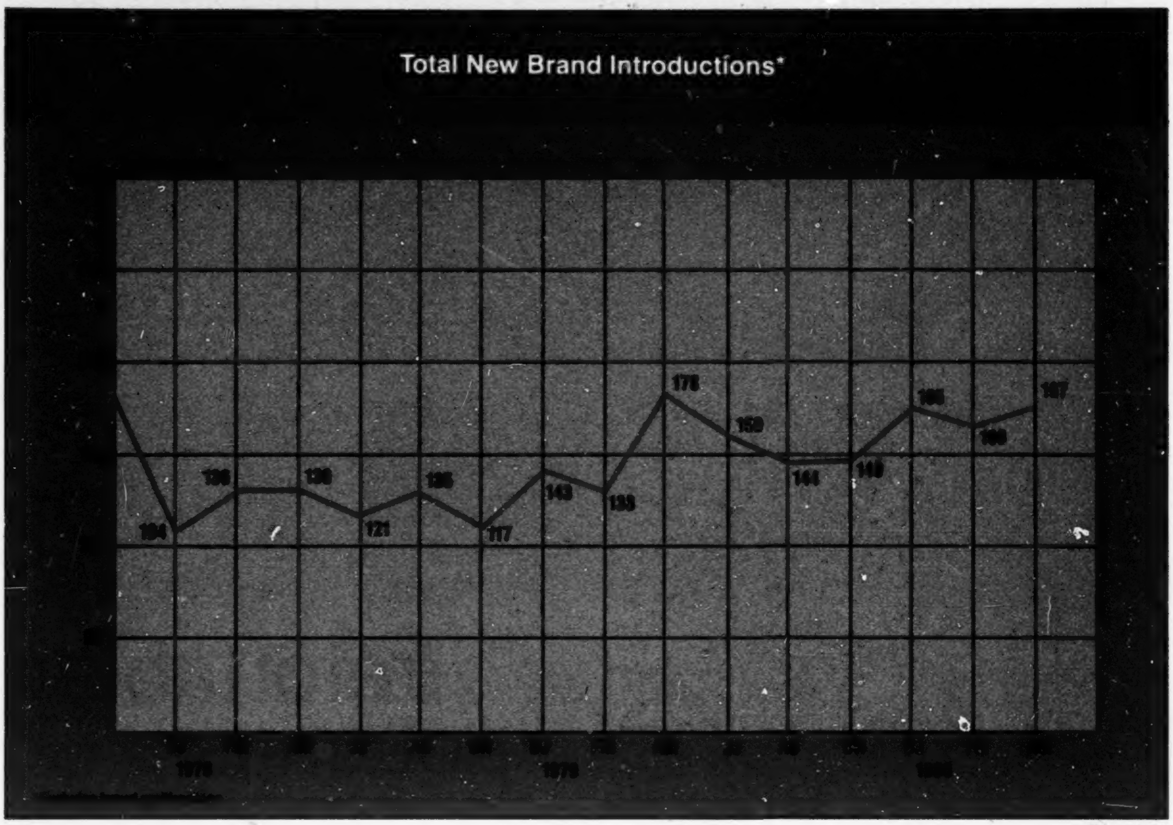
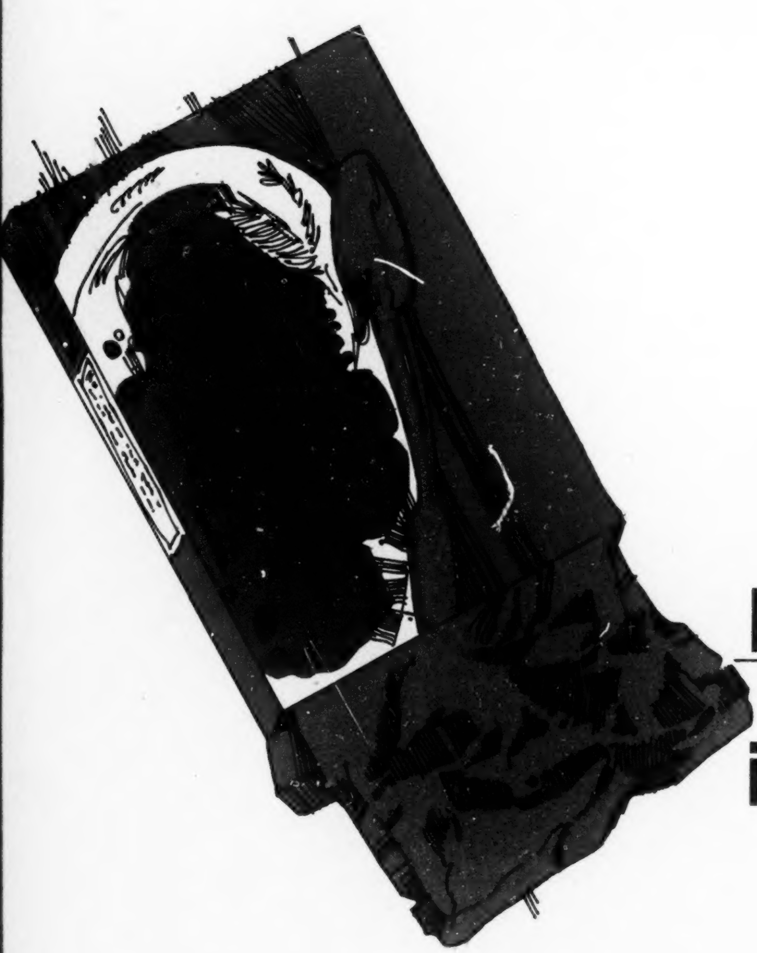


Chart 11

Chart 10 provides a breakdown of the new introductions by category. In spite of the modest increase in the total for 1979, introductions of the important edible nonperishable products last year continued to decline. Although the loss was of minor proportions, the total was some 1,300 fewer new items than for the recession year of 1974.

In contrast, introductions in all of the other categories increased. Frozen foods and the remaining nonedibles posted the largest gain in actual numbers, with refrigerated food up by only a few items.



chapter 4

retortable pouches . . . a product in search of a home

For packaged food products that have been under development since 1959, that promise the taste and freshness of frozen foods as well as the handling convenience of canned foods (no refrigeration necessary) it's somewhat difficult to understand why they have not yet had a chance to sink or swim in U.S. supermarkets. What's more, some 70 million retortable pouch products were sold in Europe as early as 1974 and about 500 million in Japan. In fact, it is estimated that by the end of 1980, some 1.5 billion units will have been sold in Europe and over 5 billion in Japan.

Why, then, have but a handful of American consumers been denied the opportunity to buy this "package of virtues"? This question is especially pertinent since the U.S. Army Natick Development Center started working with the retort pouch in 1959, coordinating with the U.S.D.A. and the F.D.A. on materials development for the pouch.

Further, Col. A. L. Dungan, coordinator for the U.S. Army's Food Nutrition Research Programs, already has stated that this is the "last year for the three-piece can." Three suppliers are dividing an order for 24 million meals in retortable pouches—or about 40 million pouches. Another Army order for 24 million pouches will be up for bids this spring for delivery in 1981.

The advantages of this type of packaging (versus either canned or frozen) include reduced energy requirements, lighter weight, less dependence on imported tin, longer shelf life and more palatable meals, all of which are simply too important to ignore.

A First . . . And Now a Second

Perhaps the best answer to the question as to why retortable pouches have yet to appear in the U.S. in any significant volume was voiced by an executive of a large food processing firm back in 1975.

He commented that his company was doing the same thing everyone else was doing—"investigating the pouch with *extreme caution.* It takes guts and money to be first, and no one seems to have enough of either."

Although full approval by the F.D.A. of retortable pouches* in May of 1977, quickly followed by the U.S.D.A. early in the following month, eliminated all legal objections, there has been a noticeable lack of enthusiasm by a great majority of the large food manufacturers to add retortable pouch products to their new product offerings. ITT Continental Baking Company, however, made the first major effort in 1977 with their Continental Kitchens Flavor Seal entrees with a seven-item line in three test markets.

After a few months, however, they were withdrawn because of an inability to obtain adequate production volume. The line was reintroduced last year and is now being marketed in Atlanta, Georgia, Columbus, Ohio and the Miami/Palm Beach area.

The second marketer now committed to marketing food in retortable pouches is the giant Kraft Company. They are scheduled to begin testing five entrees in May under the A La Carte label in 8-ounce single-serving packages in several test cities.

Why the Continuing Interest?

In spite of the overwhelming reluctance by the great majority of food processors to make the large-scale investments necessary to produce and market retort pouch products, it is easy to understand their inability to lose interest in the potential of these items. Retort pouches offer a basketful of benefits to manufacturers, consumers and retailers, which is increasing every day as the energy costs reach for new highs. They include:

- Because the pouch has a thinner profile than a can and the foods require less liquid, there is a more efficient heat transfer. This results in an energy savings of from one-third to one-half during processing compared to canned products.
- Because of the shorter cooking time required, the quality of the product is better—fresher in flavor, truer in color and firmer in texture.
- The pouched product does not require refrigeration or freezing and is shelf stable at least as long as canned foods. This results in additional savings in energy during transportation and during storage by the manufacturer, retailer and consumer.
- The pouched product can be heated to serving temperature by heating the pouch about five minutes in boiling water. This compares to about half an hour for a comparable frozen product.
- Retort pouches require less storage space than cans, and the flat carton in which they are packaged provides a wider "billboard" for product identification.

In the face of this impressive list of benefits, the retort pouch has several known disadvantages. This is in addition to the natural reluctance of all manufacturers to invest the large sums necessary to sail forth into uncharted waters. Further, many of the companies most likely to enter the retortable pouch field already have large investments in products and production facilities (for canned or frozen products or both) which would most likely deteriorate in value, especially if retortable pouches proved to be highly successful.

The disadvantages perceived currently include:

- The limitations relative to size. If the pouch size is increased, the profile gets thicker, the sterilization time longer, the energy savings smaller, and quality advantages over canned foods might well disappear or become marginal at best.
- The integrity of the pouch seal has yet to be proven conclusively in the large-scale production runs necessary for commercial success and the overall durability of the pouch to withstand the hazards of repeated handling in the long channels of distribution in the United States is still unknown.
- Up to the present, truly high-speed filling equipment has not been available to produce retort pouches anywhere close to the

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*The pouches granted approval are made of a three-layer laminate. The outer layer of polyester provides strength, a middle aluminum-foil layer shields the contents against light and air, and also adds strength, and an inner layer of either polyolefin or polypropylene.

conventional packaging speeds attained in the filling of cans or glass jars. Cans are now being filled at the rate of 200 to 400 per minute, glass jars up to 1,200 per minute, and the best speeds achieved by pouches have been around 60 per minute.

- The question of consumer acceptance of retort pouches products presents an educational problem of unknown dimensions. It may be small, medium, or very large. If large, the costs will be of the same dimension and will have a decided impact on either the return on investment to the producer, the price to the consumer or most likely, both. If the impact on the retail price is substantial, it naturally will compound the educational problem.

It is reasonable to expect that the first three disadvantages can be overcome with time and experience. Solving the last one on the list may be far more difficult. It will probably hinge on the number of manufacturers who enter the field and their willingness to invest in the future of retort pouches. The greater the number, the easier it will be to solve.

The Canadian Connection

Although a U.S. manufacturer would seldom think of test-marketing a new product type in a Canadian test market to assess its possibilities for future success in the United States, we believe the results of a market test of an eight-product line of retortable pouches conducted in a metro area just across the border may provide some valuable, if not conclusive, insights into the future marketing of these items in the U.S. In addition, a consumer study was conducted in conjunction with the market test which provides a detailed assessment of these items from a consumer's viewpoint—consumers whose relative lifestyle and income are not very different from many U.S. citizens living just across the border.

Since the test market was conducted by Nielsen's Canadian Company as a service to the grocery industry, the study was made available to us for this report on retort pouches.

Background

Swan Valley, a medium-sized, regional food processing company, with the help of an outside backer, spent five years developing entree-type foods packaged in retortable pouches. Once approval was gained for the pouches, a decision was made to market these items in Metropolitan Vancouver and Victoria as well as throughout the remainder of British Columbia.

British Columbia has a population of just under 2.5 million people with about 1.4 million living in the two metropolitan areas. A key characteristic of this province has been its rapid development along with a population growth averaging twice the national average (+ 14% versus + 7% over the past five years). Family size in this province is slightly smaller than in the rest of Canada (3.4 versus 3.6) with a greater incidence of two-member families than anywhere else in the country. Total retail sales during the test period were 13% above the national average on a per capita basis, and disposable income was 7% higher than average.

The line of retortable pouches consisted of the following types:

Meatballs and Gravy
Meatballs and Tomato Sauce
Chicken A La King
Chicken Stew
Beef Stew
Noodles and Beef
Ravioli
Spaghetti and Meat

Performance

The complete line of retortable pouches was introduced in January of the test year. The products were well received by the retail trade, and by July (the beginning audit period) four types had achieved over 80% all commodity distribution and three over 70%. Chicken stew was the only type that failed to attain adequate exposure (Chart 12).

Substantial promotional support was provided during the first six months with major media, cooperative advertising and featured pricing by retailers all playing a part in attracting consumers.

Although not noticeable at first in terms of distribution, the first sign of the decline and eventual fall of the retortable pouches came in the form of unusually high out-of-stock situations for both the meatball products and the noodles and beef during the August-September period. This affliction spread to four additional types the following period and coincided with the withdrawal of virtually every form of significant promotional support for the retortable pouches. This abrupt discontinuance of support during an introductory period would probably be a mortal blow to virtually any new brand, and was especially devastating to a new line of products in a package form totally new and unfamiliar to consumers. In addition, retort pouches were being offered at premium prices. For example, beef stews in retort pouches were in the 75 and 79 cents range versus 59 to 69 cents for the canned products. Ravioli was priced between 83 to 89 cents compared to 78 to 84 cents for the conventionally packed, and chicken stew was 99¢ to $1.09 versus 69 to 79 cents.

Chart 13 provides a graphic example of the decline in sales over the 14-month period. Peak sales were achieved during the June-July period, prior to abandonment of marketing support. From that point forward, the retort pouches entered a long-term slide. Because out-of-stock became such a problem almost as soon as the market test began, it was difficult to assess the product types that possessed the greatest consumer appeal, with one exception. The exception was chicken stew, which never achieved a share of sales higher than 3.2% (Chart 14). Even here, however, the assessment is somewhat cloudy, since retail distribution of this item faltered from the very start and never came close to matching the other types: a high of 21% compared to distribution levels of over 70% and 80% for the other items.

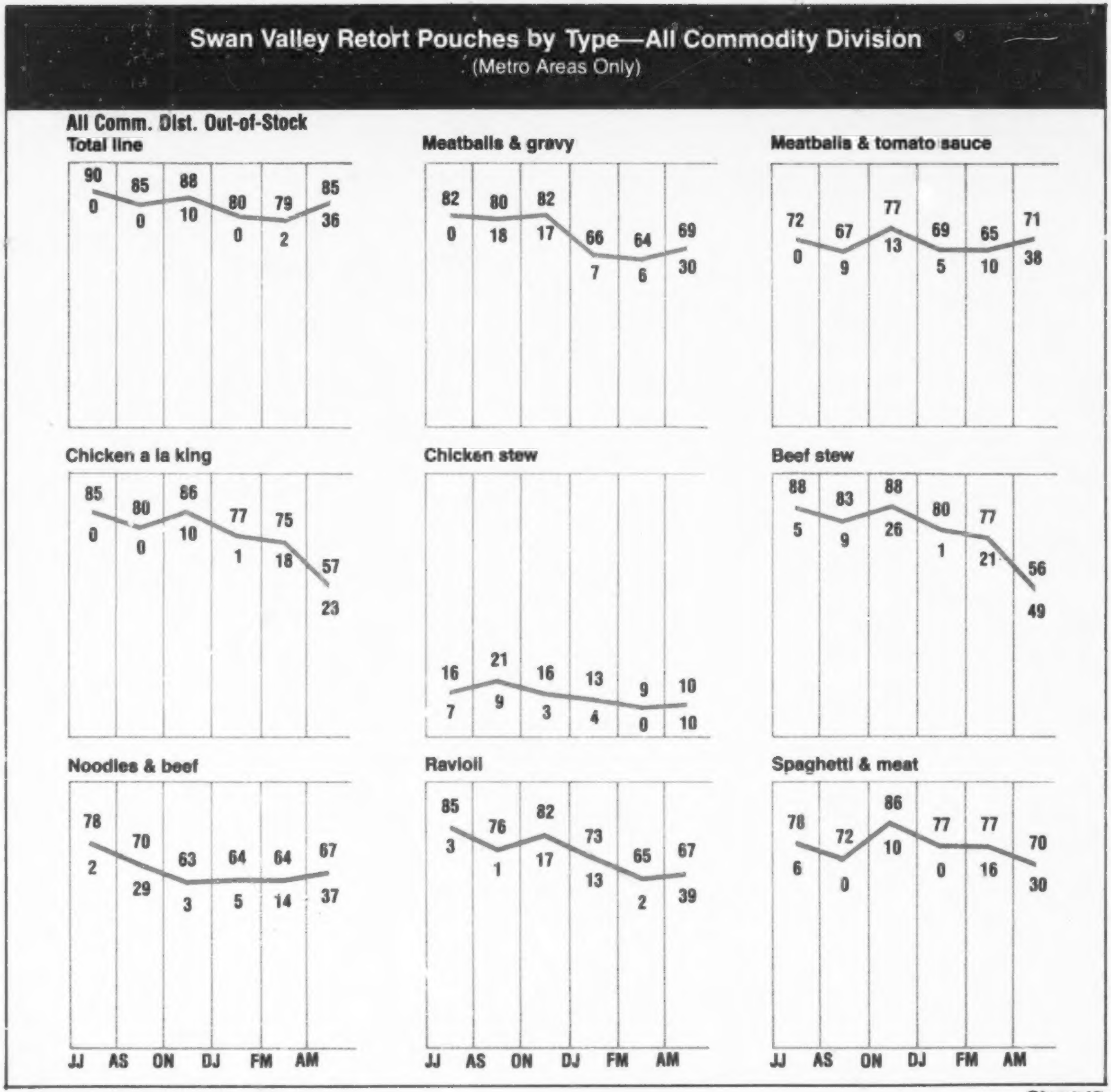
Swan Valley Retort Pouches by Type—All Commodity Division
(Metro Areas Only)

Chart 12

Based on the available evidence, it appears that beef stew, chicken a la king and ravioli were the most popular types with consumers. Consumer sales of the retort pouches were best in the two metro areas, but usage was reported in just 10% of the households in November.

The Consumer's View

A second wave of 424 telephone interviews was conducted during the April-May period in the metropolitan areas revealing the usage of retortable pouch products in 12% of the households, up only two percentage points from the previous November. The smallness of this increase was again probably due to out-of-stock and the withdrawal of advertising and promotional support noted before.

In terms of frequency of use, there was very little overall change reported between the November and May study, but there was a modest increase in the "Occasionally Used" category.

	Regularly Used	Occasionally Used	Used Only Once
November	10%	38%	52%
May	9%	45%	46%

The small user base made analysis difficult, but frequency of usage appeared greatest for the pasta products, followed by stews. Flavors such as chicken a la king, meatballs, and noodles and beef all had a high incidence of "Used Only Once."
The inherent attractiveness of the retort products was evident among users based on a strong increase in "intention to pur-

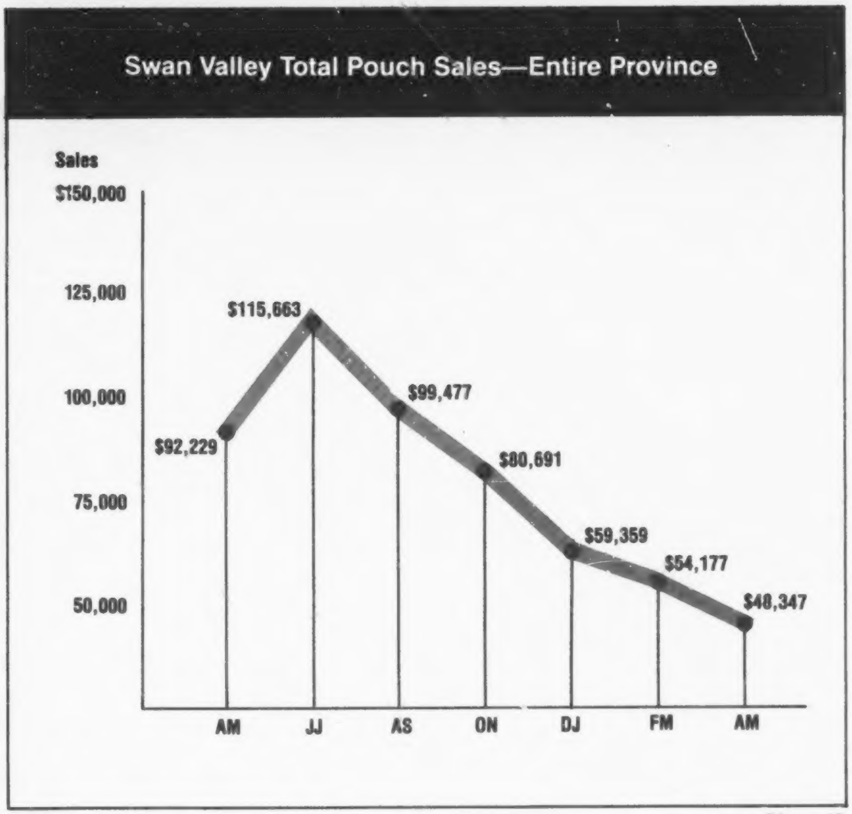

Chart 13

chase" questions but was virtually unchanged among non-users between November and May.

	Retort Pouch Users		Non-Users (but aware)	
	November	May	November	May
Very or somewhat likely to purchase	45%	69%	20%	23%
Somewhat or very unlikely to purchase	33%	21%	58%	54%
Can't say	22%	10%	22%	23%

Verbatim comments were requested from all retortable pouch users relative to the advantages, disadvantages and product quality. In each case, the following question was asked first: "Are you aware of anything different about the packaging of retort pouch products?" If the answer was "yes," we first asked, "What do you see as the advantages of the retort pouch packaging?"

The answers relative to "advantages" are ranked in order of the number of comments pertinent to that subject.

What Are the Advantages?

1. Easy to prepare and quick.
2. No need to keep frozen.
3. Packages are easy to stack, don't take

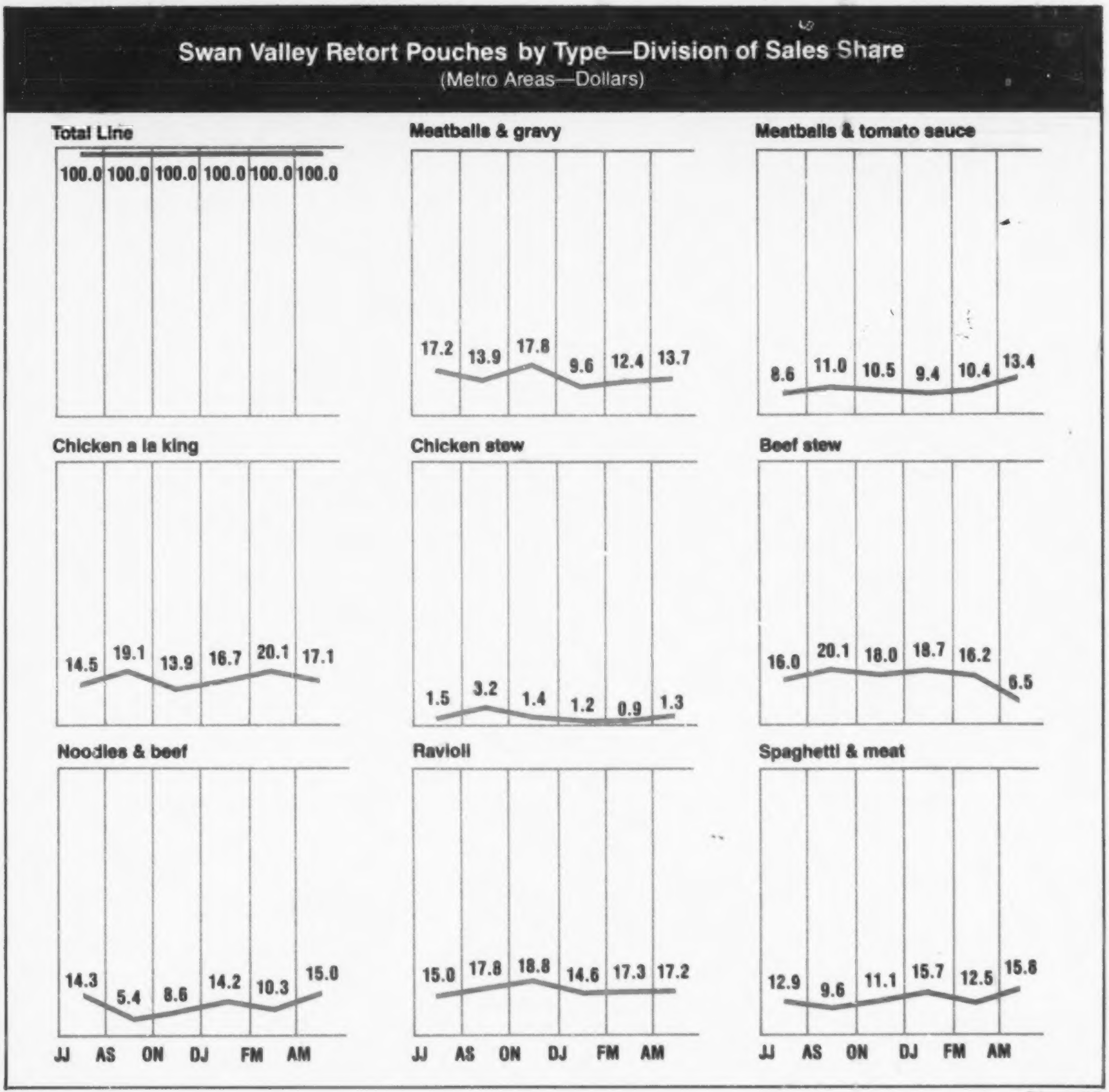
Swan Valley Retort Pouches by Type—Division of Sales Share
(Metro Areas—Dollars)

Chart 14

up much cupboard space, seems a lot fresher, like it better.
4. Doesn't have messy cans.
5. You can heat it in the package.
6. Bought for camping trip, doesn't take up much space.

What Are the Disadvantages?

1. Expensive.
2. Unnecessary expense in packaging—too elaborate; gravy sticks to pouch.
3. Getting it out of the hot water, have to be careful getting it out of the bag.
4. Some are not too tasty.

Again, after we had asked the question relative to noticing the difference in packaging, we asked each respondent, "Could you give me any opinion about the actual quality of the product?"

This question brought forth a long list of free-wheeling comments ranging from "Good, flavorful, just like homemade" to "I wouldn't eat it myself." The majority of the comments were overwhelmingly favorable, however, with the statement "it tastes like homemade" occurring a good many times.*

Take Your Choice

There is little question that there are significant factors on both the pro and con side of retort pouches. Depending on the weight given each factor, a prediction of the future might be considered a matter of choice.

In fact, a recent article in a trade publication indicated that future usage of these items depended to a great extent on food processors achieving: the anticipated product quality; productivity to back up cost estimates; and the package integrity necessary for large volume production.

All three are important and all three are primarily technical in nature. It would appear, however, that the testing done so far has gone a long way towards proving that the quality of the product is equal to and often superior to competition. The technical reasons for this high quality—the reduced amount of the heat required for sterilization, etc.—seem to be totally factual. The latter two factors, although seemingly responsive to improving production techniques as more time and money are applied, have yet to be resolved.

The Marketing Problem

The most important factor relative to marketing success was not even mentioned—the one involving consumer education. Although many people *within* the food processing industry have been aware of retort pouches for the past ten years or so, it's probably safe to say that 99% of the American consumers have neither heard about, seen, or tasted foods prepared and packaged in this fashion. Thus, the critical problem to marketers is how best to introduce this new concept, rather than just how to position in the vast array of processed foods in today's supermarkets. The problem is far greater than introducing a new brand where the key factors are awareness, recognition and availability. There are significant changes in consumer perception and behavior which must be considered when introducing consumers to this totally new concept and familiarizing them with the advantages of retortable pouch packages.

For example, everyone familiar with retort pouches knows that one of the important consumer advantages is that refrigeration is unnecessary and they can be stored on cupboard shelves. Yet, in the second consumer study in British Columbia after the Swan Valley products had been on the market for a year, one respondent noted for an advantage "that they didn't take up much room in the refrigerator"; and another said "that because of the flat package, they stacked very nicely on refrigerated shelves."

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*A complete list of these comments is available and may be had by writing "Industry Relations," A. C. Nielsen Company, Nielsen Plaza, Northbrook, Illinois, 60062.

Keep in mind that both of these comments came from *users* of the Swan Valley products. Think of how many *nonusers* were unaware of this unique advantage.

Retort Pouches in the U.S.*

But what of the U.S. market test so far? The Continental Kitchens line is completing its first year in the supermarkets of Atlanta and Columbus (the Miami area launch followed later), and some general observations are possible. It should be recognized, however, that these findings should be considered indicative at best, rather than conclusive, because it is presumed that the test is far from complete at this stage.

Our information to date suggests:

- Although satisfactory overall line distribution (85%-95%) was achieved initially in each city, only about 20% of those stores now stocking carry all seven flavors.
- Flavor popularity within the line seems related to retail price. The highest-priced item appears to be the slowest mover in those stores handling, and this flavor is stocked by the fewest number of stores. Conversely, two of the three lowest-priced items appear to sell best and, as a result, have retained a high percentage of their initial distribution.
- Total line pricing differences between cities does not seem to be influential on the overall sales trends to date.
- Where the product is sold in the store (i.e., stocked with the dry products or the canned products generally, or scattered throughout the store adjacent to those specific canned, dry, or frozen competitors by flavor) may eventually have an impact on sales, but experiments to date do not seem to indicate a clear preference for one location over the other.

U.S. Potential

Although it's impossible to forecast the future potential for retortable pouch products in the U.S., useful estimates can be made of the sales potential of these items in existing product areas in which they might well achieve a reasonable or significant share. The estimated potentials are based on retort pouches achieving a 10%, 20% or 50% share in three existing product categories:

Retort Pouches	Potential Based on Annual Product Class Sales		
	(If retort pouches achieve a share of:) (000's)		
	10%	20%	50%
Beef Stew	$ 8,834	$17,668	$44,270
Ravioli	$12,158	$24,316	$60,790
Chili	$19,670	$39,340	$98,350

The estimates are based on current annual sales of both the canned and frozen products combined in each product group.

In Summary

Presuming that all the claims for retort pouches "come true," i.e., recognizable superior quality, quick and convenient home preparation, no need to store in refrigerator or freezer, etc., consumers have yet to be informed, educated and ultimately convinced of all these advantages. To do so will require the very best in marketing and advertising programs plus the patience and commitment necessary to invest substantial amounts of money on a long-term basis.

Since manufacturers thus far have been hampered by the lack of high-speed filling equipment (nothing currently available that even approaches that for cans), there is little doubt that retort pouch products when first introduced, and for sometime thereafter, will carry a premium price. Whether these new premium *priced* products should also be premium type products—such as Beef Bourguignon, steak, veal, Beef Stroganoff, etc.—and bear even a higher price, presents an important question. Or, should marketers, at least at first, concentrate on marketing such items as chicken a la king, beef stew, chicken and noodles, etc., which can retail at a lower price—albeit still higher than comparable items in cans or of the packaged dinner type?

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*All data on retort pouches in the U.S. are based on Nielsen studies conducted exclusively for this article.

To answer a critical question such as this, as well as the many others that spring up whenever a new product is brought to market, will to a large extent be dependent on the reliability of the market test and the quality of the analysis provided. The fragmentary evidence available thus far indicates that it's perhaps easier to persuade consumers to try the lower-priced items. Perhaps this may be the correct path to follow. It may or may not be—only future testing will provide the true answer.

chapter 5

space allocations for dry groceries

Charts 15 and 16 provide a review of the average space allocations in chain supermarkets for 23 major grocery product classes for the past three years. All product classes except crackers (no change) posted increases in footage allocations—most of them in the range of from two to four feet compared to 1978. It should be noted, however, that there was a change in annual dollar volume requirements between 1978 and 1979 for chain supermarkets. Prior to 1979, it was $500,000 or more. Starting in 1979, it was raised to one million or more. Since virtually all the chain supermarkets included in the sample prior to 1979 already had volumes exceeding one million dollars, the sample change was minuscule. Even so, a very minor portion of the average increase may be due to the sample change.

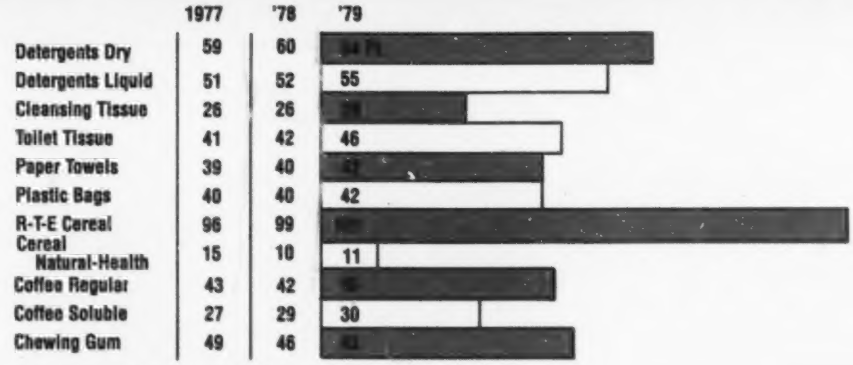
Cigarettes

The percentage of stores offering cigarettes by the carton on a self-service basis reached an average of 68% in 1979, a three-point increase (Chart 17). This method of merchandising still showed wide variations by territory with the three northeastern regions still under 40%. In contrast, over 90% of the chain supermarkets in the West Central and Remaining Pacific offered cigarettes in this fashion.

Chart 18 provides the average linear feet of space allocated to cartons of cigarettes by chain volume size. Of the six classifications over one million dollars, only the three to four million dollar classification reduced the linear footage for cigarettes. With the exception of the five to six million classifications, all the rest increased the average footage devoted to cigarettes.

Average Linear Shelf Space Per Store—Selected Product Groups I

(Chains Over $1 Million Annual Volume*)

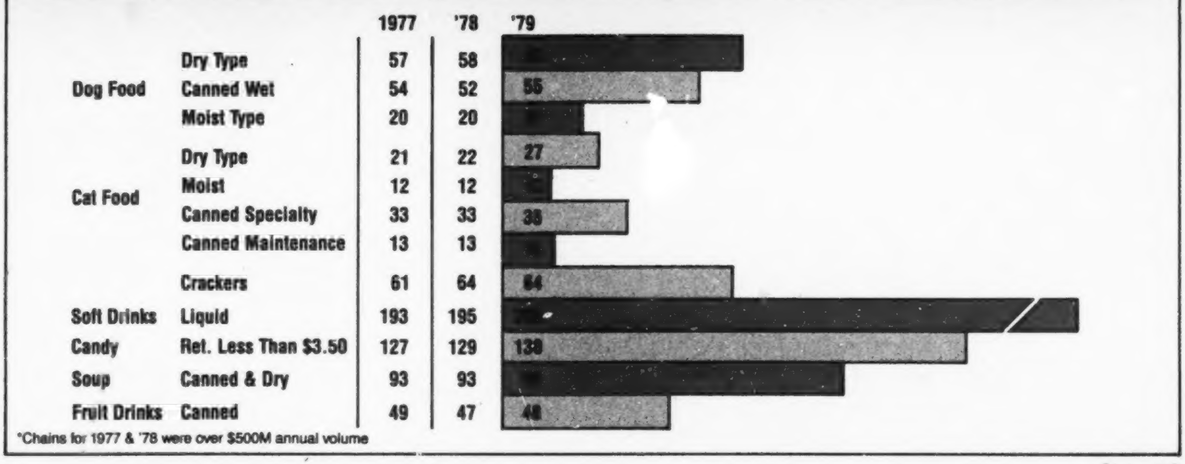


*Chains for 1977 & '78 were over $500M annual volume

Chart 15

Average Linear Shelf Space Per Store—Selected Product Groups II

(Chains Over $1 Million Average Volume*)



		1977	'78	'79
Dog Food	Dry Type	57	58	[illegible]
	Canned Wet	54	52	55
	Moist Type	20	20	[illegible]
Cat Food	Dry Type	21	22	27
	Moist	12	12	[illegible]
	Canned Specialty	33	33	38
	Canned Maintenance	13	13	[illegible]
	Crackers	61	64	64
Soft Drinks	Liquid	193	195	[illegible]
Candy	Ret. Less Than $3.50	127	129	138
Soup	Canned & Dry	93	93	[illegible]
Fruit Drinks	Canned	49	47	48

*Chains for 1977 & '78 were over $500M annual volume

Chart 16

Self-Service Cigarettes by Territory

(Chains Over $1 Million Annual Volume*)

(% of stores selling cigarettes by the carton only via self-service)

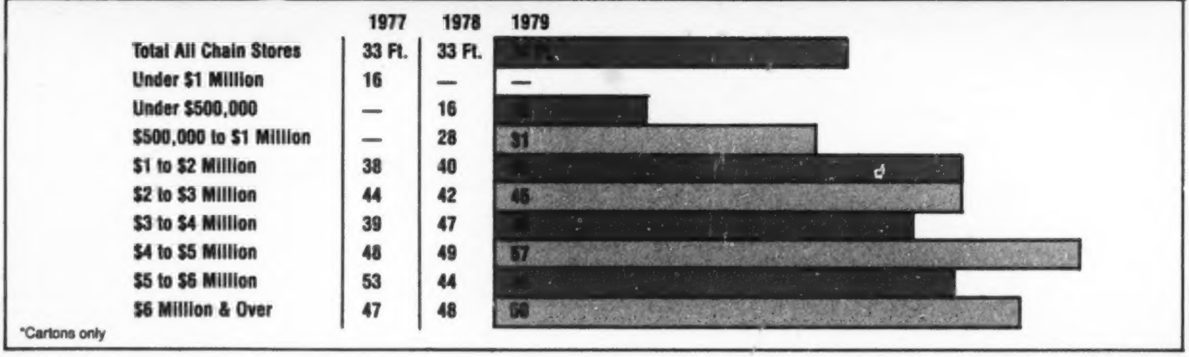
	1977	1978	1979
Total U.S.	[illegible]	[illegible]	[illegible]
New England	33	[illegible]	38
Metro New York	10	[illegible]	36
Mid-Atlantic	30	[illegible]	30
East Central	71	77	84
Metro Chicago	52	[illegible]	58
West Central	84	[illegible]	93
Southeast	62	[illegible]	94
Southwest	70	75	88
Metro Los Angeles	62	77	68
Rem. Pacific	60	[illegible]	93

*Chains for 1977 & 1978 were over $500M only

Chart 17

Average Linear Feet Devoted to Cigarettes*

(All Chains by Volume)



	1977	1978	1979
Total All Chain Stores	33 Ft.	33 Ft.	[illegible] Ft.
Under $1 Million	16	—	—
Under $500,000	—	16	[illegible]
$500,000 to $1 Million	—	28	31
$1 to $2 Million	38	40	[illegible]
$2 to $3 Million	44	42	45
$3 to $4 Million	39	47	[illegible]
$4 to $5 Million	48	49	57
$5 to $6 Million	53	44	[illegible]
$6 Million & Over	47	48	50

*Cartons only

Chart 18

frozen and refrigerated foods

Space Allocations

Space allocated frozen foods by large chains* moved up again in 1979 to an average of 332 linear feet per store (Chart 19). Over 300 feet of space was allocated to frozen food in all but three areas—East Central, Southeast and Southwest.

Frozen vegetables, other than potatoes, continued to receive the largest average space allocation, with Chicago chains averaging 103 feet. Entree items were in second place and fish in third place (Chart 20).

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*See comments on change in classifications in Chapter 1.

Average Linear Feet of Shelf Space Devoted to Frozen Foods
(Chains Over $1 Million Annual Volume*)

	1975	'76	'77	'78	'79
U.S.	[illegible]	274	[illegible]	309	[illegible]
New Eng.	[illegible]	308	[illegible]	318	[illegible]
New York	[illegible]	278	[illegible]	310	[illegible]
Mid. Atl.	[illegible]	317	[illegible]	353	[illegible]
East Cent.	[illegible]	255	[illegible]	281	[illegible]
Metro. Chi.	[illegible]	281	[illegible]	307	[illegible]
West Cent.	[illegible]	300	[illegible]	352	[illegible]
Southeast	[illegible]	236	[illegible]	268	[illegible]
Southwest	237	222	[illegible]	206	[illegible]
Los Ang.	327	361	362	408	412
Rem. Pac.	[illegible]	279	[illegible]	320	[illegible]

*Chains 1975 through '78 were based on stores with annual volume of $500M and over

Chart 19

Average Linear Feet of Shelf Space Devoted to Frozen Foods by Type—1979

(Chains Over $1 Million Annual Volume)

	[illegible]	Other Veg.	Orange Juice	[illegible]	Fruit Dessert Pies	Other Dessert Pies	[illegible]	Meat Pies	Bread	[illegible]	3-Course Dinners	Regular Dinners	[illegible]	Poultry	Pizza	[illegible]
U.S.	[illegible]	57 Ft.	11 Ft.	[illegible]	9 Ft.	7 Ft.	[illegible]	9 Ft.	4 Ft.	[illegible]	11	27	[illegible]	14	21	[illegible]
N.E.	[illegible]	56	9	[illegible]	6	6	[illegible]	8	3	[illegible]	11	21	[illegible]	14	20	[illegible]
N.Y.	[illegible]	78	9	[illegible]	7	5	[illegible]	8	3	[illegible]	10	19	[illegible]	21	15	[illegible]
M.A.	[illegible]	64	12	[illegible]	10	7	[illegible]	10	5	[illegible]	12	28	[illegible]	20	28	[illegible]
E.C.	[illegible]	62	10	[illegible]	7	5	[illegible]	8	5	[illegible]	10	23	[illegible]	12	16	[illegible]
Chi.	[illegible]	103	13	[illegible]	10	6	[illegible]	8	5	[illegible]	17	44	[illegible]	10	41	[illegible]
W.C.	[illegible]	55	14	[illegible]	12	7	[illegible]	10	7	[illegible]	10	32	[illegible]	15	29	[illegible]
S.E.	[illegible]	40	9	[illegible]	16	8	[illegible]	8	3	[illegible]	6	20	[illegible]	11	19	[illegible]
S.W.	[illegible]	56	9	[illegible]	8	7	[illegible]	8	3	[illegible]	10	27	[illegible]	11	19	[illegible]
L.A.	[illegible]	78	13	[illegible]	11	8	[illegible]	11	4	[illegible]	17	40	[illegible]	10	25	[illegible]
R. Pac.	[illegible]	50	12	[illegible]	10	6	[illegible]	10	5	[illegible]	13	35	[illegible]	14	18	[illegible]

Chart 20

Average Linear Feet of Shelf Space Devoted to Refrigerated Foods

(Chains Over $1 Million Annual Volume*)

	[illegible]	'77	[illegible]	'79
U.S.	[illegible]	229 Ft.	[illegible]	268 Ft.
New Eng.	[illegible]	228	[illegible]	230
New York	[illegible]	232	[illegible]	264
Mid. Atl.	[illegible]	236	[illegible]	270
East Cent.	[illegible]	223	[illegible]	261
Metro Chi.	[illegible]	241	[illegible]	282
West Cent.	[illegible]	219	[illegible]	250
Southeast	[illegible]	214	[illegible]	241
Southwest	[illegible]	223	[illegible]	274
Los Ang.	270	290	[illegible]	351
Rem. Pac.	[illegible]	246	[illegible]	291

*Chains 1976 through 1978 were stores with over $500M annual volume

Chart 21

Refrigerated Foods

Chart 21 provides the average linear feet devoted to refrigerated items by large chain supermarkets. As in the past, Los Angeles chains provided the greatest space allocations (351 feet in 1979) followed by stores in the Remaining Pacific and Chicago.

An average of 85 linear feet was awarded to cheese nationally, and in five areas the average was over 90 feet. No other product class was given even half that exposure, with milk products a distant second with an average of 41 feet (Chart 22).

Because of its importance, a profile of

Average Linear Feet of Shelf Space Devoted to Refrigerated Foods by Type—1979

(Chains Over $1 Milion Annual Volume)

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S.	16 Ft.	10 Ft.	[illegible] Ft.	17 Ft.	[illegible] Ft.	14 Ft.	6 Ft.	17 Ft.
N.E.	12	10	17	13	[illegible]	6	4	22
N.Y.	14	7	[illegible]	10	[illegible]	9	7	20
M.A.	12	11	[illegible]	12	27	8	5	21
E.C.	8	8	[illegible]	14	[illegible]	13	6	10
Chi.	17	11	[illegible]	16	[illegible]	14	7	17
W.C.	8	8	[illegible]	16	[illegible]	10	7	12
S.E.	9	9	70	10	[illegible]	20	6	13
S.W.	8	10	22	17	[illegible]	21	6	12
L.A.	15	13	100	20	34	13	7	30
R. Pac.	9	11	[illegible]	21	[illegible]	11	1	[illegible]

Chart 22

Profile of Cheese* Sales

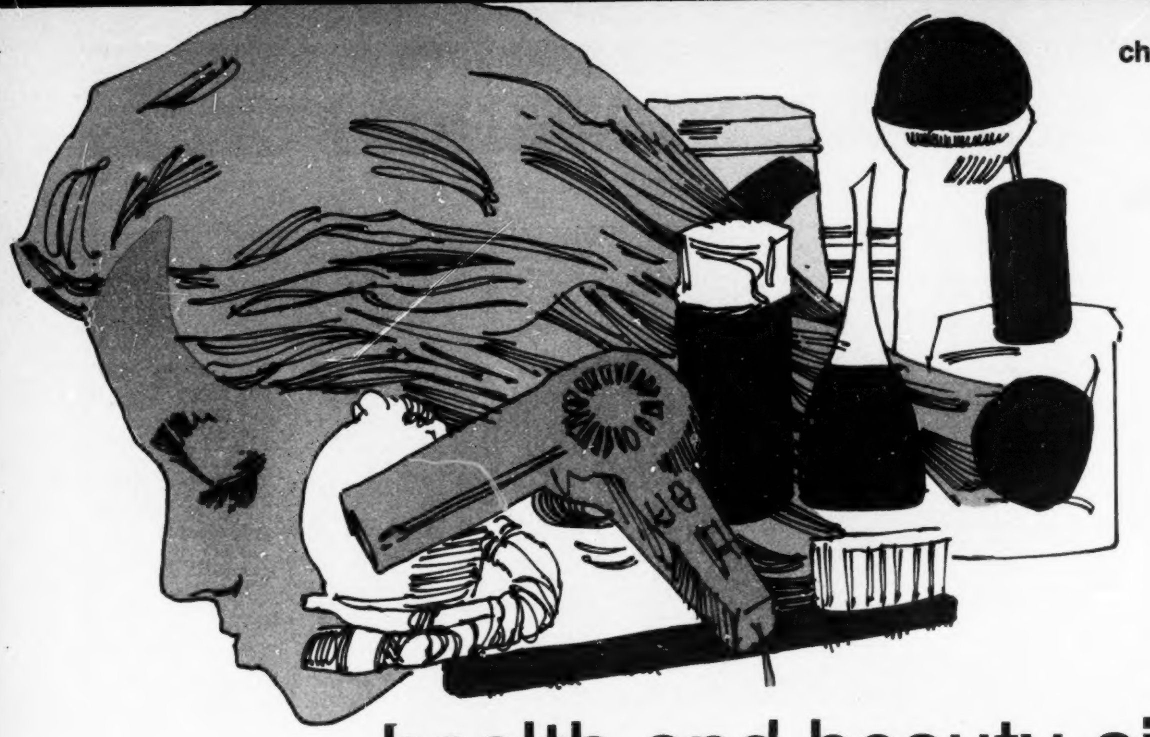
(All Chains by Size)

	Share of Total Vol.	Avg. Prod. Linear Footage	Unit Sales Per Store Per Mo.	Avg. Units of Inv.	Avg. Monthly Gross Profit Per Ft.		
					25%	30%	35%
Total Chain Stores	100%	40	3,734	1,940	27.50	33.00	38.50
Under 3,000 Sq. Ft.	2	7	170	164	6.00	7.20	8.40
3-6,000 Sq. Ft.	2	44	1,400	1,060	14.25	17.10	19.95
6-12,000 Sq. Ft.	15	60	4,305	2,540	25.75	30.90	36.05
12-16,000 Sq. Ft.	25	84	6,587	3,727	30.25	36.30	42.35
16-20,000 Sq. Ft.	25	94	8,365	4,425	38.00	45.60	53.20
20-24,000 Sq. Ft.	15	113	9,962	4,781	31.75	38.10	44.45
Over 24,000 Sq. Ft.	16	100	11,364	6,173	39.25	47.10	54.95

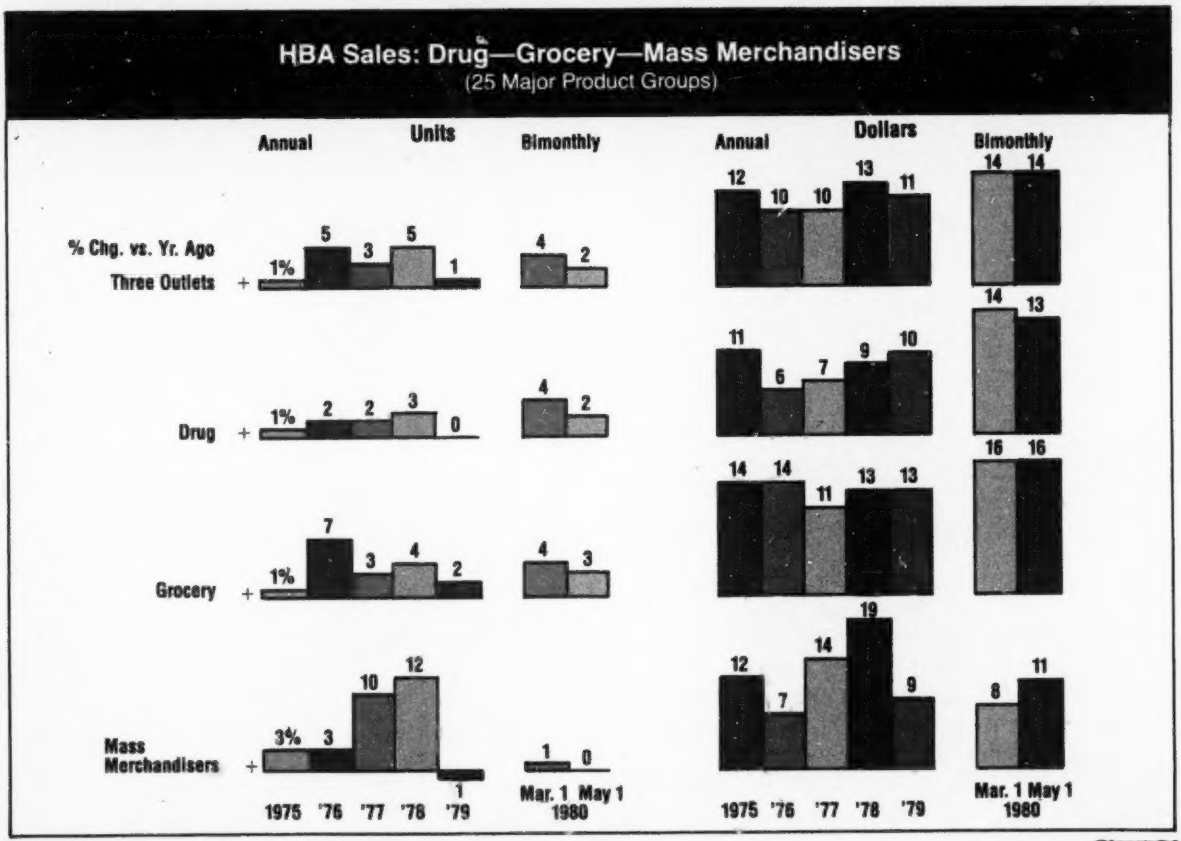
*Excludes cottage cheese

Chart 23

cheese sales is provided in all chain stores on Chart 23. The two chain size groups—12,000-16,000 and 16,000-20,000 square feet—derive the largest average bimonthly sales of the seven size classifications and together account for an even 50% of total cheese sales. The largest category of stores—over 24,000 square feet—recorded the highest dollar and unit sales per month, however.



health and beauty aids and selected cosmetics



HBA Sales: Drug—Grocery—Mass Merchandisers
(25 Major Product Groups)

Chart 24

For the past two years, 1977 and 1978, mass merchandisers overshadowed both drug and grocery stores in recording sales gains in the important health and beauty aid sector.* The year 1979 told a different story (Chart 24). After posting a +12% increase in unit sales in 1978, mass merchandisers fell to a −1% in 1979, and dollar sales fell from a +19% to just +9%—the lowest for the three outlet types. Unit sales continued to show a weak trend during the first four months of 1980.

Unit sales of these items were scarcely robust in either drug or grocery outlets, but grocery stores did manage to post a +2% increase in 1979, and 1980 sales thus far have been on the plus side in both outlet types. Based on the last two recessions, it would appear that sales of HBA items stand up best in drug outlets during economic downturns. This same pattern occurred during 1974 when sales of these items declined 4% in mass merchandisers while drug stores were posting a +2% gain and grocery stores were off only −1%.

Based on dollar sales only (Chart 25), grocery stores improved their share of sales of the 25 categories by almost a full point, to 49.2%. Both drug and mass merchandisers lost shares. This was the fifth consecutive share loss by drug stores in the HBA area and is primarily due to the weakness of the medium and small independent stores.

When examined by product group (Chart 26), the losses incurred by drug stores were not nearly so widespread as in the previous year (drug stores lost share in 24 of the 25 product groups in 1978). In fact, drug stores increased their share over a point in hair preparations and hair coloring and scored fractional gains in six other product groups. Their largest losses (2 points or more) occurred in hand lotions, home permanents and bath additives.

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*Based on sales in 25 major HBA categories.

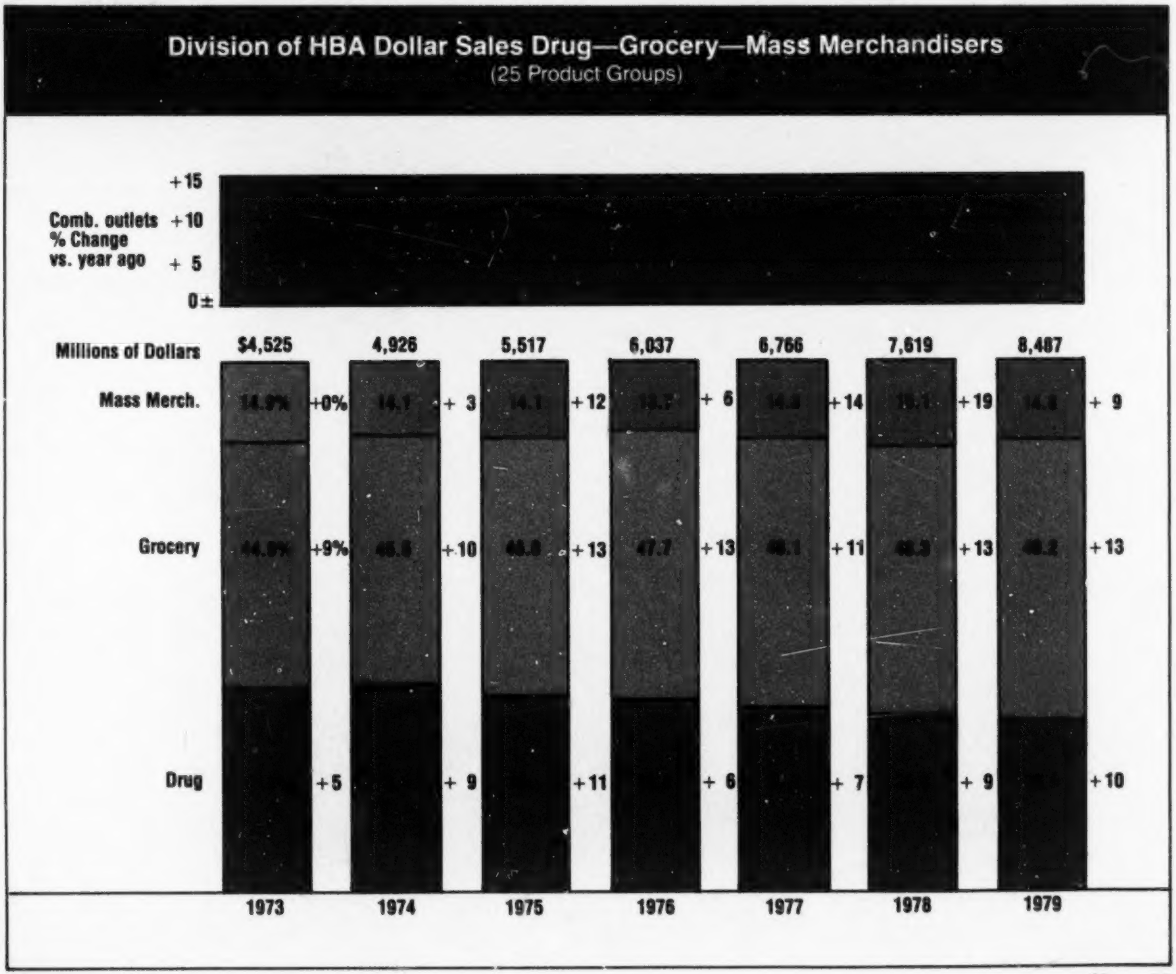


Chart 25

Division of HBA Sales by Outlet
(Dollar Basis—1979)

	Drug	Food	Mass Merch.
25 HBA	[illegible]	43.2	14.8
Hair Preparations	[illegible]	44.8	18.2
Razor Blades	[illegible]	52.9	17.4
Aerosol Shave Cream	[illegible]	47.8	17.3
After-Shave Lotion & Cologne	[illegible]	13.4	25.1
Dentifrices	[illegible]	62.8	14.4
Oral Antiseptics	[illegible]	53.4	17.1
Vitamins	[illegible]	14.0	8.5
Cold Tablets	[illegible]	47.3	9.8
Sinus Headache Remedies	[illegible]	47.8	8.9
Topical Antiseptics	[illegible]	43.9	11.3
Headache Remedies	[illegible]	51.0	9.9
Stomach Remedies	[illegible]	39.4	9.0
Disposable Diapers	[illegible]	77.8	11.1
Foot Remedies	[illegible]	19.8	9.9
Shampoo	[illegible]	50.8	18.1
Deodorants	[illegible]	51.4	17.7
Feminine Douches	[illegible]	36.8	14.7
Sanitary Protection	[illegible]	61.0	12.0
Hand Lotions	[illegible]	33.9	17.3
Face Creams	[illegible]	20.7	16.1
Hair Coloring	[illegible]	17.0	21.5
Hair Fixatives	32.9	47.3	19.8
Home Permanents	[illegible]	18.2	28.2
After-Shampoo Products	[illegible]	42.1	18.0
Bath Additives	[illegible]	30.5	17.5

Chart 26

HBA Retail Inventories by Outlet
(25 Major Product Groups—Unit Basis)

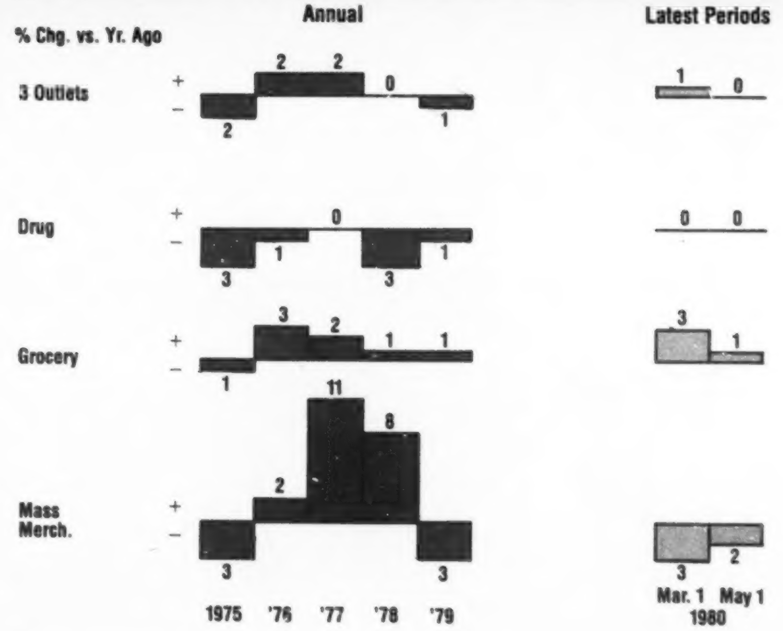
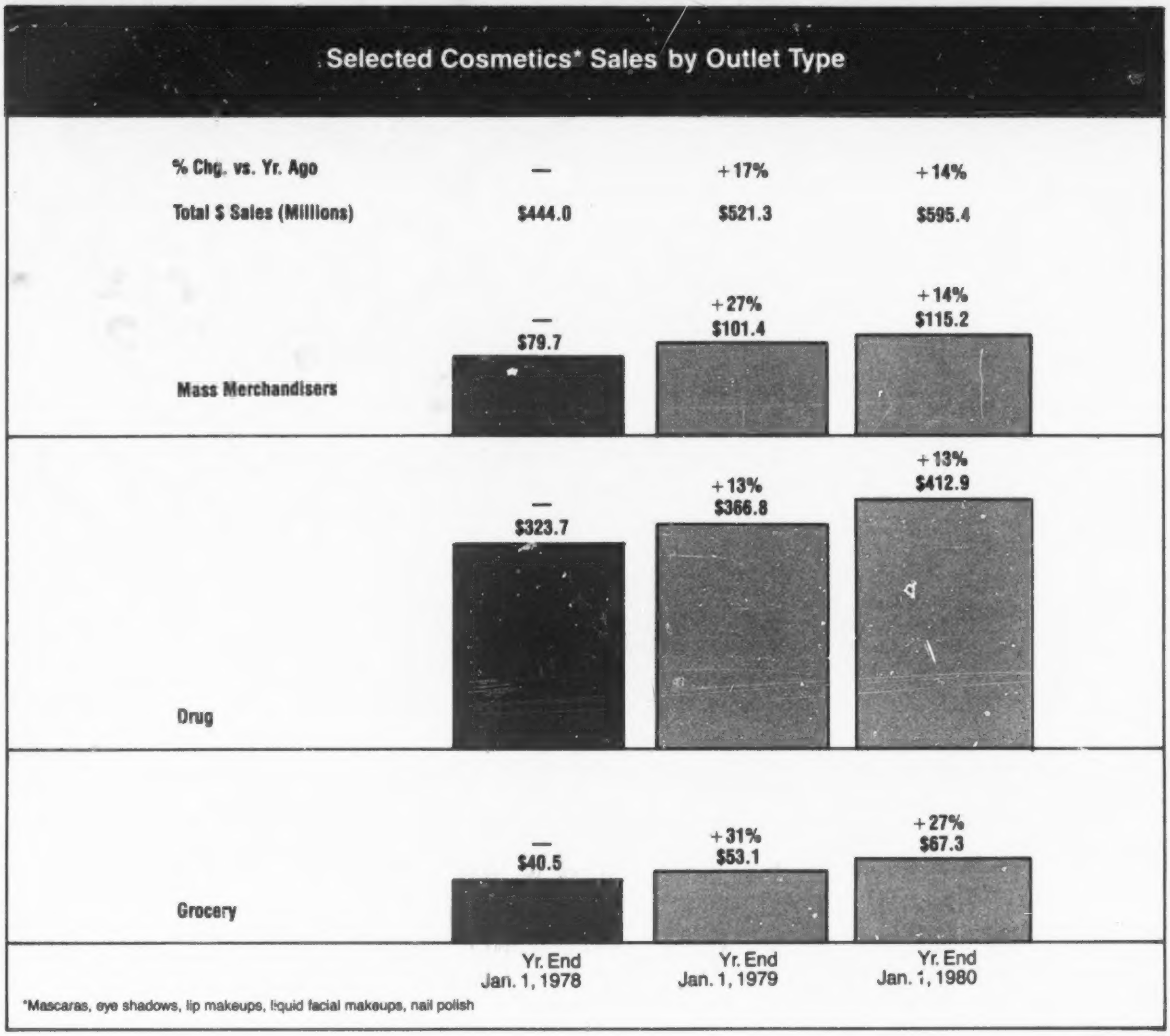


Chart 27



*Mascaras, eye shadows, lip makeups, liquid facial makeups, nail polish

Chart 28

Drug stores continued to reduce their inventories of HBA's, −3% in 1978, −1% last year, with the most recent 1980 periods' stocks even with a year ago (Chart 27). Grocery stores, in contrast, are continuing to build their stocks of HBA's at a modest rate annually and even added to their inventories during the first four months of 1980. Mass merchandisers reduced their retail stocks by −3% in 1979 and continued this reduction at about the same rate during the first part of this year.

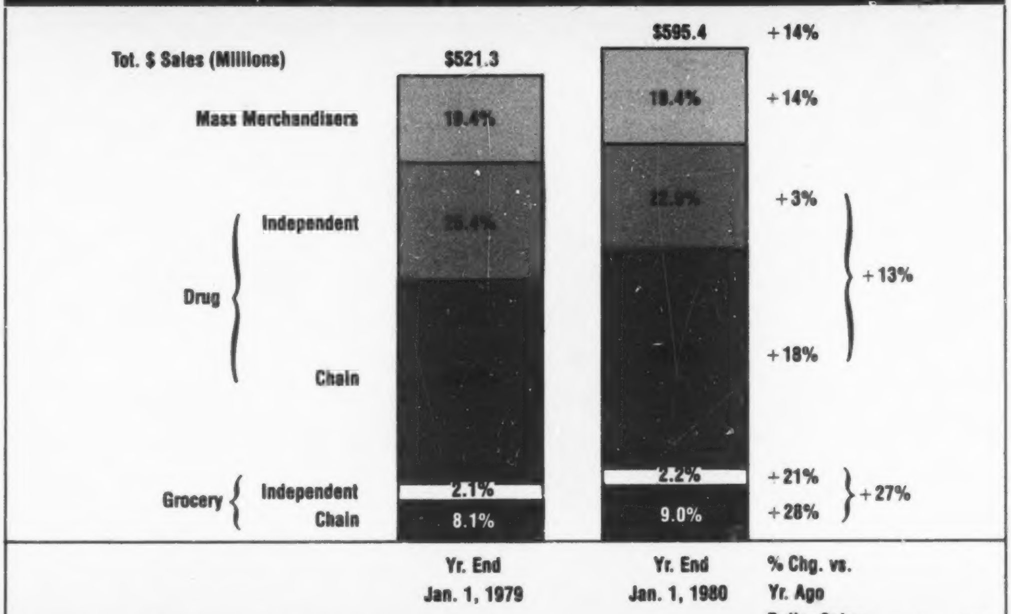
Cosmetics

The sales of a selected group of cosmetics recorded a slightly higher annual gain than HBA's in 1979 (+14% versus +11%) on a combined three-outlet basis with dollar volume reaching almost 600 million dollars. Sales gains in grocery outlets led the other two store types by advancing +27%, approximately twice the gain achieved by either drug or mass merchandiser outlets (Chart 28). In terms of total importance, however, sales of these items in drug stores were about six times that of grocery outlets.

When examined by share and by chain versus independents (for both drug and grocery outlets), the strengths and weaknesses within the trade classes become apparent (Chart 29). The entire share loss was at the expense of the independent drug stores, with chain drug up a point and a half over the previous year and chain food up almost a point. Noteworthy was the 28% increase in dollar volume by chain food stores, an indication they may become a force to be reckoned with in the future.

When examined by territory (drug and grocery only), wide variations are apparent in both the division of sales and growth by region (Chart 30). Drug stores recorded far above average gains in New England and

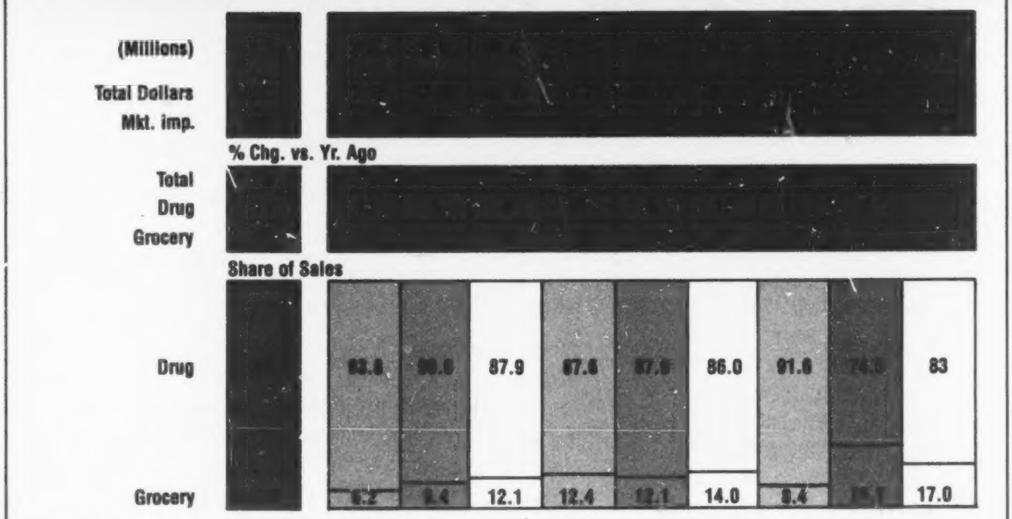
Selected Cosmetics* Share of Sales by Outlet Type
(Total U.S. Consumer Dollars)



*Mascaras, eye shadows, lip makeups, liquid facial makeups, nail polish

Chart 29

Selected Cosmetics* by Territory—Drug and Grocery Only
(12 Months Ending Jan. 1, 1980—Dollar Basis)



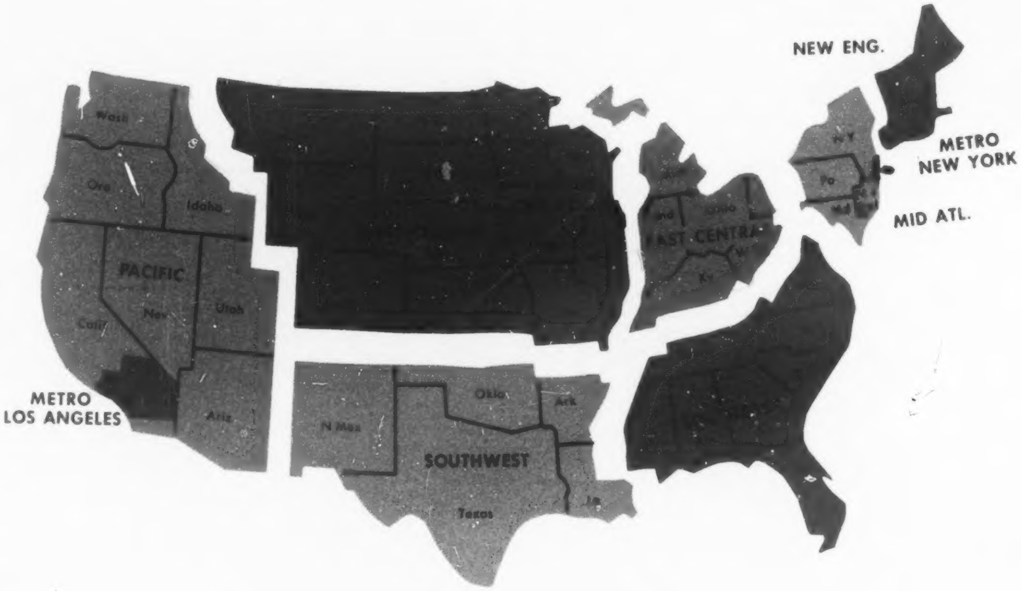
*Mascara, eye shadows, lip makeups, liquid facial makeups, nail polish

Chart 30

the East Central. Even so, there was a small share erosion in these two areas when compared to the previous year.

Share gains by grocery stores were achieved in every territory. The advances ranged from a fraction in New England to a gain of 2.4 points in the Middle Atlantic.

Nielsen Territories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METRO NEW YORK
MID ATL.
N.Y.
Pa
Md
Ind
Ohio
EAST CENTRA
Ky
Wash
Ore
Idaho
PACIFIC
Calif
Nev
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Ariz
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N Mex
Okla
Ark
SOUTHWEST
Texas
La

A Special Note to Cooperating Stores

As most of you know, the original and still primary purpose of the Nielsen Annual Food Review is to provide our cooperators with the latest information available on the state, progress, and trends of the retail grocery industry.

We wish to extend our cooperators a friendly invitation to call or write us in those cases where additional details on subjects herein would be helpful. If the material is available, we will be more than happy to supply you with it.

Write:
Retailer Services Department
A.C. Nielsen Company
International Headquarters
Nielsen Plaza
Northbrook, Illinois 60062

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A combination of services form a broad, reliable information base to serve the planning and decision-making needs of both the new product marketer and corporate management.

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National facility for economically providing actual shelf samples of products currently on the market for either marketing or quality assurance needs.

STORE OBSERVATION SERVICE
A fast method of evaluating key conditions at the point of sale in retail outlets. SOS provides observations on shelf location, facings, price, availability, etc., reporting to clients as quickly as seven days after completed field work.

LOCAL AREA SERVICES
MAJOR MARKET SERVICE-Comprehensive research reports from large, syndicated samples in any of 38 diversified metropolitan areas for testing or regional monitoring of your brands.
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DATA MARKET SERVICE-Minimizes the administrative problems of testing by providing warehousing and distribution services, as well as comprehensive store audits in these widely dispersed, smaller test cities.

RETAIL INDEX SERVICES
Continuous national and regional measurements of consumer sales and sales influencing factors at the retail outlet for manufacturers of consumer packaged goods.

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Liquor, wine and malt beverage reports detailing consumer sales, retailer purchases, inventories, distribution and the like in selected markets.

SCANNING SERVICES
LOCAL SCANTRACK-Provides weekly sales results plus a weekly review of store displays, in-store flyers, coupons, newspaper advertising and other observations. Currently, the markets of Rochester, N.Y. and Seattle are available with other markets to follow.

NATIONAL SCANTRACK-Is designed as a supplement to the Nielsen Food Index Service. Since National ScanTrack will provide all of the identical in-store information offered by the local service, it becomes a powerful analytical tool in giving greater insight into the functioning of the market place on a weekly basis.

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Westport, Connecticut 06880
203/226-6851

LEVIS: GM REPORT

Demographic data holds key to purchasing

Our continuing search for answers to GM marketing questions took us to the 1978 Redbook Survey, the last nationally projectable source of data on demographics and purchasing for 25 or more specific GM product groups.

This heretofore unpublished analysis quantifies the relationship between store demographics and GM purchasing. It studies specific products in relation to their sensitivity to customers' age, income, employment and population density.

Indexes given are based on incidence of purchase of specific products. They relate the buying behavior of demographically sorted groups of shoppers to that of the total sample. A 2+ rating, for example, means shoppers in that group are approximately 20% more likely to purchase a product than shoppers in the total sample.

The totals line on the survey chart gives summary performance for all GM products. Reading left to right, it tells us that shoppers under 35 years of age (3+) are better GM supermarket customers than their older counterparts (1−). Shoppers with higher incomes, over $10,000 (1+) and over $20,000 (1+), purchase more GM than do those with lower incomes (2−).

Employed women, both full-time (1+) and part-time (1+), are somewhat better GM customers than unemployed women (0−). Large metropolitan areas are the best areas for GM supermarket purchasing (1+), followed by small town rural areas (0+).

Each of the 27 categories analyzed individually gives insight into expected performance in specific stores. Automotives, for example, are bought mostly by young shoppers (3+) with incomes over $10,000 (1+) who are employed full-time (2+) and live in small towns or rural areas (1+).

Children's toys are bought in supermarkets by young shoppers (10+) with higher incomes (1+) who are employed part-time (2+) and who live either in small towns or large cities (1+).

Research data combined with customer profiles may provide some of the answers to buying right for individual stores.

GM sensitivity to demographic factors*

▨ Positive
☐ Negative

	Age		Income			Employment			Population Density		
	Under 35 yrs.	Over 35 yrs.	Under $10,000	$10-$20,000	$20,000 plus	Fulltime	Parttime	Not	Small town rural	Cities under 2 million	Metro 2 million +
Greeting cards	2+	1−	3−	1+	2+	1+	1+	0−	2−	0−	2+
Magazines	2+	1−	1−	6+	1+	1−	0+	0+	0+	1−	1+
Women's hosiery	2+	1−	2−	0−	3+	4+	1+	2−	0+	1−	1+
Sewing notions	1+	0−	3−	1+	2+	0−	0−	0+	1+	0+	2−
Children's wear	11+	4−	2−	1+	1+	1+	3+	1−	2+	1−	1−
Film, flash cubes	5+	2−	2−	0+	2+	1+	1−	0−	0−	0−	1+
Paperback books	3+	2−	3−	1+	3+	2+	0+	1−	1−	1−	3+
Light bulbs/elec. acc.	3+	1−	2−	0+	1+	1+	1−	0−	1+	1−	1−
Children's toys	10+	3−	2−	1+	1+	0−	2+	0−	1+	1−	1+
Photofinishing	3+	1−	2−	1+	2+	1+	1−	0−	1−	1−	2+
School supplies	4+	1−	1−	1+	1−	2−	2+	0+	0−	0−	0+
House plants & acc.	4+	1−	1−	0−	1+	2+	0+	1−	0−	0+	0−
Men's/boys' socks	2+	1−	1−	1+	0+	1+	1+	1−	2+	1−	1−
Auto accessories	3+	1−	2−	1+	1+	2+	1−	1−	1+	1−	1−
Sandals/sneakers	3+	1−	2−	1+	0+	1−	1+	0+	1+	1−	0+
Men's/boys' underwear	2+	1−	2−	1+	1+	1+	1+	1−	1+	1−	0+
Children's books	10+	3−	1−	1+	1−	2−	3+	0+	1+	1−	1+
Kitchenware	2+	0−	2−	1−	4+	2+	1−	1−	1−	1−	3+
Stitchery	1+	0−	2−	2+	0−	1−	1+	0+	1+	2−	1+
Household hardware	6+	2−	2−	2+	0+	1−	0−	0+	1+	1−	0+
Kitchen towels	2−	1+	1−	0−	2+	0−	0−	0+	1+	0−	0−
Pet accessories	7+	2−	1+	0−	1−	1+	2+	1−	1+	1−	1+
Candles	1+	0−	3−	0−	4+	0+	0−	0−	2−	1−	3+
Bath towels	3−	1+	2−	1+	1+	1+	0−	0−	1+	2−	1+
Infants' accessories	16+	5−	2+	1−	2−	5+	0+	2−	1+	1−	1+
Household glassware	1+	0−	2−	0+	2+	1−	0−	0+	2+	1−	1−
Dinnerware	2+	0−	2−	1+	1+	1−	7+	1−	1+	2−	1+
GM total (27 categories, no H&BA)	3+	1−	2−	1+	1+	1+	1+	0−	0+	1−	1+

*Based on incidence of purchase of respondents classified by demographic characteristics, relative to incidence of purchase of total sample.

Source: 1978 Redbook General Merchandise Survey data interpreted by the Allan Levis Organization Inc., 1980.

Allen Bud Levis is president of the Allen Levis Organization.

How to evaluate panel data

A recent analysis of panel data by TRIM shows different age profiles of those buying a paper product. While families whose household head is 25-34 years of age buy almost 22% of the total product, nearly 38% of those purchasing the national brand are in that age group.

This finding supports the contention that the national brand is important to the younger segment of customers, those who have the potential to be loyal customers for many years.

Additional analysis can give further insight into advertised specials as well as the most effective media to use.

The best way to evaluate advertising is to find out whether the ad brings in new shoppers. Increased volume of an advertised product is usually due to one of three reasons: some people are stocking up; regular customers who haven't bought the product in the past are buying it now; and shoppers who are new to the store are making purchases.

The purpose of an ad, of course, is to bring people into the store. If the scan panel reveals that all of the increased volume comes from regular shoppers stocking up, then the ad is not effective.

If, however, the scan panel reveals that stocking up by regular shoppers accounts for a 10% increase in sales—but total store product sales increased 20%—it means 10% was bought by new shoppers. This provides a measure of the ad's effectiveness in bringing in new shoppers.

For example: Sales of a new national brand canned soup account for 10% of total canned soup sales.

The buyer wonders if this is additional volume or whether it is at the expense of national or private label.

Scan panel data reveals that of those shoppers who bought the new soup, 80% had previously purchased a national brand and 20% had purchased private label. Thus the chain buyer found that the new product is cannibalizing national label soup.

In another example, the buyer considered discontinuing a slow-moving item. Scan panel data revealed that 85% of shoppers are buying the item, but infrequently and in small quantities.

If the chain uses sales volume as the sole criterion, the item would be discontinued, but the store could be "turning off" 85% of its shoppers. The scan panel zeros in on the central question: Do a lot of people buy a little or do a few people buy a lot?

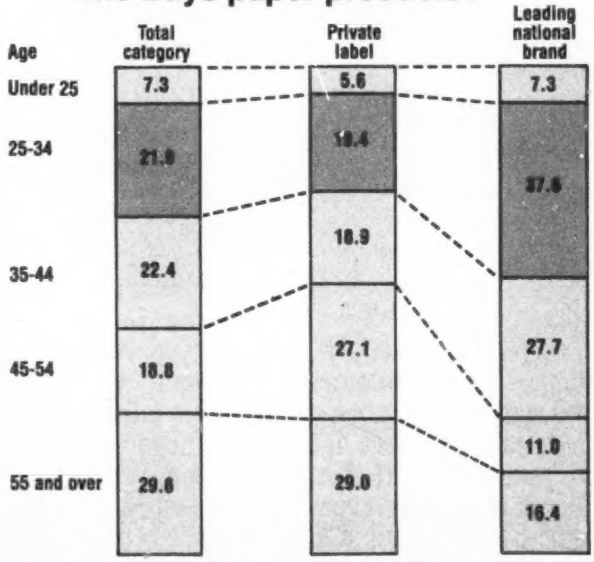
How often? Frequently the volume of a new product looks promising for the first month or two. However, volume may be due to one-time purchasers or to both one-time purchasers and repeat purchasers.

One of the functions of the scan panel is to identify the volume of each.

If a new product's volume is due to one-time buyers, the product's long-term probability for success is limited.

The scan panel is so new that only a handful of retail chains are using it. The question for the supermarketer is whether to make the commitment to scan data, including scan panel data, in order to improve his retail decisions. ☐

Who buys paper products?



Panel data shows the national brand of paper product is favored by the 25-34 age group. Note: Figures do not appear to add correctly because only one of more than a dozen national brands tracked is shown.

Source: TRIM Inc.